Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr65	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rs30
Denmark	DKr12.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr65	Taiwan	NT$65
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bt50
Germany	DM2.30	Mexico	Peso300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh10	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rs15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,528 — Tuesday May 3 1988 — D 8523 A

France: Voters weigh up the 'bad' and the 'worst', Page 3

World News

Israeli army units move into South Lebanon

The Israeli army launched a major search-and-destroy operation into South Lebanon last night, aimed at cleaning out guerrilla strongholds not far from the border. Security sources said that a mechanised brigade, including tanks, accompanied paratroopers on the operation. The strength of the Israeli forces was put at over 1,000 men.

Clashes in Beirut

Rival Palestinian factions clashed with mortars and machine guns in Beirut's refugee camps as Shia Moslem clans skirmished in neighbouring slums. Police said 15 people died and over 50 others were wounded.

Eritreans claim shelling

Eritrean rebels say they shelled Ethiopia's second biggest port, Massawa, killing 222 government troops in a clash near Asmara, the region's capital.

Tamil attacks kill 39

Tamil Tigers killed 39 people in attacks in Sri Lanka over the weekend. Almost all the victims, including six soldiers, were Sinhalese. Page 4

Curfew in Karachi

Pakistani authorities clamped an indefinite curfew on western Karachi after the army moved in to quell three days of ethnic violence which left at least five people dead and 50 injured.

Belgian parties agree

Negotiators from five parties working to end Belgium's long political crisis agreed on the formation of a centre-left coalition under the leadership of outgoing Prime Minister Wilfried Martens. Page 2

Protest over Turks' visit

Greek police clashed on Monday with demonstrators protesting against the arrival of Istanbul mayor and Turkish envoy Bedrettin Dalan, who was carrying a special message for Prime Minister Andreas Papandreou.

ANC bomber sentenced

A member of the African National Congress was sentenced yesterday to 25 years in prison. Gordon Webster, 34, was convicted of carrying out several bombings on electrical transformers, including one which killed a police colonel.

Kashmir hospital toll

Rescuers working at the site of a collapsed three-storey children's hospital in the northern Indian state of Kashmir, fear that up to 50 more people were dead or injured beneath the debris. Fourteen bodies have been already recovered.

US proposals for Taba

The US has proposed that Israel give sovereignty over a disputed Red Sea beach to Egypt but that the Jewish state retain effective control, according to an Israeli official.

Angola talks open

Delegates from the United States, Cuba, South Africa and Angola face a difficult task in two days of talks which open in London today, aimed at paving the way for peace in Angola and independence for Namibia. Page 3

Arthritis breakthrough

Scientists at the Mayo Clinic in Rochester, Minnesota, have discovered the gene that causes arthritis in mice, an early but significant step toward possible cures for arthritis, multiple sclerosis and other auto-immune diseases.

Curbing the Cardins

French fashion designer Pierre Cardin appealed to President Suharto's wife about 16 other Pierre Cardins with registered trademarks in Indonesia.

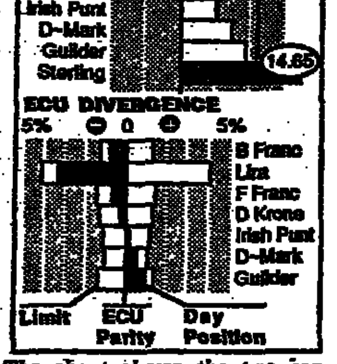
Business Summary

Control of Italian bank goes to De Benedetti

CARLO DE BENEDETTI, Italian businessman, has defeated a Fiat-led coalition to win majority control of Credito Romagnolo, Italy's second-largest private bank. The issue was decided by a meeting of more than 2,600 of the bank's shareholders. Page 20

European Monetary System: The French franc and Danish kroner held steady within the EMS yesterday and throughout last week, despite political nervousness. President Mitterrand was expected to be returned to office in the final round of French elections next weekend, but there was more doubt about the result of the Danish general election on May 10.

The Dutch guilder and D-Mark remained the strongest members of the system. The Italian lira was the weakest EMS currency, requiring support from the Bank of Italy. Attention centred on currencies outside the EMS, particularly sterling, on oil news and the UK trade data, and the Swedish krona, after an increase in the Swedish discount rate.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies. Currencies, Page 36

TOKYO: Unexpectedly brisk and heavy buying drove the Nikkei average to its third consecutive record high in Tokyo, up 160.18 at 27,693.72. Page 33

WALL STREET: The Dow Jones industrial average closed up 10.94 at 2,043.27. Page 33

DOLLAR closed in New York at DM1.6760, Y124.80, SFr1.3970, FFr5.6665. Page 36

STERLING closed in New York at $1.8735. Page 36

BRITISH AIRWAYS, Swissair, KLM Royal Dutch Airlines, Alitalia and USAir are to pay $500m for a 49.9 per cent stake in the US Apollo computer reservation system. Page 20

IRVING BANK, New York banking group, agreed an improved offer for half the company from Banca Commerciale.

UNIGESTION, Swiss finance company, which has agreed to buy a 38.7 per cent equity stake in Banca della Svizzera Italiana from Irving Bank of the US, is seeking majority control of the Lugano-based bank. Page 21

RHEINISCH-Westfaelisches Elektrizitaetswerk, West Germany's largest electrical utility, confirmed it was in talks with Texaco to buy its German subsidiary Deutsche Texaco. Page 21

EUROPEAN Commission is expected to decide within the next few weeks whether to take action to curb Italian Government aid for Finsider, struggling state-owned steel giant. Page 2

WEST GERMAN Government is selling its remaining 60 per cent stake in Viag, energy, aluminium and chemicals group, for DM210 ($125) a share. Page 22

Pravda publishes call for reform of Soviet bureaucracy

BY QUENTIN PEEL IN MOSCOW

A SWEEPING attack on the over-centralised and undemocratic structure of the Soviet Communist Party was published yesterday on the front page of Pravda, the party newspaper.

The Pravda letter, which could not have been published without the highest authority, is a dramatic new development in the struggle for control of the Soviet power structure.

The letter calls for a host of reforms of the party bureaucracy, including 200 new outside members of the central committee, the re-certification of every current party member and direct elections by secret ballot of all key party officials.

Publication of the letter is seen as a key move by Mr Mikhail Gorbachev, the Soviet leader and Communist Party general secretary, and his closest allies, to press for far-reaching reforms of the ruling party at a key national conference next month – at a time when there is growing speculation about a conservative backlash.

Although the Soviet leadership is steadfastly presenting a public image of harmony and unity, the increasingly outspoken Soviet press is publishing a flood of material warning of such a backlash, and calling for greater democratisation of the country's rigid party and government bureaucracy.

Mikhail Gorbachev: key move

At the annual May Day parade outside the Kremlin in Red Square, a smiling Mr Gorbachev was flanked by his colleagues in the ruling Politburo, including Mr Yegor Ligachev, the second most powerful man in the hierarchy, who is widely regarded as leader of any alternative conservative element.

Mr Ligachev appeared in his normal position, immediately behind Mr Gorbachev, Mr Andrei Gromyko, the Soviet President, and Mr Nikolai Ryzhkov, the Prime Minister – giving no hint of a rumoured demotion in recent days to strip him of some of his responsibilities for Communist Party ideology.

The public appearance of normality is certainly not reflected in the press, where a letter appeared for the first time on Saturday speculating about a possible Party coup to overthrow Mr Gorbachev.

Published in Sovetskaya Kultura, the pro-reform newspaper of the Ministry of Culture, in a whole page of letters on *perestroika* – the current economic reform process – a writer called Y. Borokhovich, from Nizhnevartovsk in Siberia, said: "A (Party) plenum at which Mikhail Gorbachev could be removed ... is a real possibility. The Party apparatus has far from everywhere, far from unanimously, and far from always sincerely, supported our leader."

However, the writer adds: "If an attempt to block *perestroika* is undertaken, the nation this time will not stand by in silence. Almost all the citizens of the Soviet Union are behind Gorbachev. Against him stand a bunch of people who are waiting in anticipation behind the double doors of their offices."

Yesterday's letter in Pravda – the newspaper traditionally regarded as the gospel for Party members – takes the whole debate much further by damning the present party structure, and calling for radical reforms.

The author, Mr V. Selivanov, a

Continued on Page 20

Gdansk ship workers obey strike call

BY CHRISTOPHER BOBINSKI IN WARSAW

THREE THOUSAND workers at the Gdansk Lenin shipyard in Poland went on strike yesterday in support of steelworkers in Krakow who have closed their plant for seven days.

In Wroclaw an electronics plant stopped work for several hours after a local Solidarity leader called a mass meeting to demand pay increases.

Both strikes came after a call on Sunday by Mr Lech Walesa, leader of the banned trade union Solidarity, for protests in support of the Krakow steelworkers, who want a 50 per cent increase in basic pay rates. Shortly after midday yesterday, however, security officials began rounding up members of the 13-strong Solidarity national steering committee.

According to opposition sources 10 were held, among them Mr Zbigniew Bujak from Warsaw but not Mr Walesa.

The detentions came as Mr Jerzy Bilip, the Industry Minister, went on television to say that he would be asking his colleagues to enable him to use "all legal means" to end the Krakow strike, a sign that the authorities were toughening their stance.

Previously the Government had hoped that its tactic of refusing to talk to the Krakow strikers would wear them down but the action at the Gdansk shipyard could provide a fresh stimulus to unrest in Poland and spark off more stoppages.

The events came after a week of strikes, prompted by sharp price rises, in the worst labour unrest in the country since the Government's 1981 crackdown that suppressed Solidarity.

In Gdansk, the shipyard workers were said in the early evening to be occupying the yard and a large banner saying "Occupation strike" had been hung on the gates. In a throwback to August 1980, when Mr Walesa led an 18-day strike at the yard which gave birth to Solidarity, Polish flags and flowers adorned the gates.

Mr Walesa, who is employed at the yard, sought to retain a potential mediating role by telling the strikers: "I am with you but I did not start the strike. I am neither for nor against the stoppage, but as a shipyard worker, I am with you."

On Sunday, Mr Walesa made clear he did not want more strikes but mass meetings in factories to show support for Krakow. Yesterday he did not join the seven-man strike committee.

Strikers at the yard are demanding the legalisation of Solidarity, banned after martial law in 1981, pay increases for all groups of workers and immunity from prosecution for the strikers.

In a main Warsaw street yesterday afternoon, police dragged down banners put up by union supporters protesting against an estimated 300 arrests of demonstrators on Sunday.

Reform stumbles over unrest, Page 18

US industry shipments hit record $214bn in March

By Anthony Harris in Washington

THE VALUE of shipments by US manufacturers rose sharply in March to a new record of $214bn, seasonally adjusted, an increase of 2.6 per cent over February. The March increase ended a run of apparently weak figures since the record $211bn was recorded in December.

New orders increased by 1.6 per cent over the previous month, according to the US Commerce Department, and order books continued a rise which has now been unbroken for more than a year to reach $413bn - 11.2 per cent above the same month in 1987.

This renewed growth is expected to continue into the second quarter of this year.

The purchasing managers' composite index, a widely followed forward indicator, rose to 54.9 per cent in April from 53.3 per cent in March (a 50 per cent reading is neutral), and a 0.8 per cent rise in the official leading indicators was announced last Friday.

Manufacturing growth now appears to be spread through all sectors. Durable goods are maintaining their position as the strongest sector, with shipments in the first quarter nearly 10 per cent above the 1987 level, led by non-defence capital equipment, up nearly 16 per cent.

The non-durable goods sector, however, which has been relatively stagnant in recent months, took the lead in the month-to-month rise in new orders with an increase of 2.3 per cent over the February figure.

The ratio of unfilled orders to deliveries fell back in March from the very high levels of earlier months (partly a reflection of accelerated shipments), and is virtually unchanged from the level of March 1987. Inventory to sales ratios are also unchanged over the last 12 months.

This suggests that the rate of growth of manufacturing output will be much the same in value terms but volume growth may be slowing down, since price increases have recently begun to accelerate.

However, the increases in the value of orders and shipments is far bigger than the rise in prices. The preliminary estimates are not published in constant-dollar terms.

Planned tax rises 'imperil West German growth', Page 2

Opec divided over plan to cut non-member exports

BY RICHARD JOHNS IN VIENNA AND STEVEN BUTLER IN LONDON

THE Organisation of Petroleum Exporting Countries has failed to agree on a common response to non-member oil producers' offer of a 5 per cent cut in their exports amounting to 180,000 b/d.

After four nights of strained and sometimes embittered exchanges in Vienna, the final session ended early yesterday morning when a majority of eight out of 13 members dismissed a revised proposal from Saudi Arabia and its Arab allies in the Gulf.

Nevertheless, chief delegates of Saudi Arabia and Kuwait insisted that the painful exercise had been worthwhile. It had identified problems and laid the foundation for future co-operation with non-member producers before the next routine meeting in Vienna on June 8. They also expressed optimism about growth in demand for oil, especially in the second half of this year.

However, other delegations were infuriated by what they saw as the heavy-handed domination of the meeting by the group of four members belonging to the Gulf Co-operation Council, because they have been mainly responsible for excess Opec supplies undermining the market.

The Saudi proposal, tabled on Sunday, particularly annoyed some delegations because it actually reduced the Kingdom's earlier commitment to help match the non-Opec initiative aimed at restoring prices to about $18 a barrel.

Saudi Arabia proposed that the four GCC members should undertake a collective reduction in output of 56,000 b/d leaving it to the others to decide how they should divide the balance of the 180,000 b/d required to equal the non-Opec offer.

Previously, the GCC had held that such a cut should be shared equally. This proposal prompted a strong response from smaller producers.

A senior Latin American delegate said: "The main aim of Saudi Arabia and Kuwait is to show who calls the shots in Opec

Continued on Page 20

Rift underlined, Page 3

Striking UK seamen face court action

BY PHILIP BASSETT, LABOUR EDITOR, IN LONDON

THE BRITISH National Union of Seaman, in the middle of a protracted dispute with P&O European Ferries, today faces fresh High Court restrictions in London over the effects of its dispute on another UK ferry company, Sealink.

Sealink, which is taking the NUS to court for implementing secondary industrial action, will return to the High Court today. The case was adjourned last week and the NUS was told the court would "view very seriously" any breaches of an injunction restraining the union's actions against Sealink.

NUS leaders, however, appealed to Sealink's seamen to continue to take action in support of dismissed P&O seafarers, and Sealink was hit over the weekend, with services from Dover and Felixstowe at a standstill.

Though the company claimed a good response to its attempts to persuade employees to drop their action and it said it would not be pressing for the sequestration of the union's £2.8m funds ($5.2m), the court may well view the action at the weekend as sufficient breach, and fine the union heavily, or order seizure of its assets.

Continued on Page 20

High stakes in Dover dispute, Page 6

Sale of Holmes à Court stakes in Bell Group under scrutiny

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S Bell Group has been asked not to make any board appointments pending inquiries into the disposal by Mr Robert Holmes à Court, the Australian entrepreneur, of two major stakes in the company.

The request came yesterday from the National Companies and Securities Commission (NCSC), the country's stockmarket watchdog.

The action could delay Mr Alan Bond's plan to secure board representation after Bond Corporation's A$178m (US$129.1m) acquisition last Friday of a 19.9 per cent stake in Bell Group, the master company in Mr Holmes à Court's investment empire.

That transaction, and a similar A$160m acquisition by the Western Australian State Government Insurance Commission, reduced Mr Holmes à Court's Bell Group stake to about 6 per cent, and indicated a decision by him to give up control.

However, the NCSC said yesterday after making preliminary inquiries that Mr Holmes à Court and the existing board of Bell Group remained in control.

The NCSC said: "While the ability of the present board to retain that control might be questioned, it is not clear that control will pass to any particular party as a result of Friday's transactions."

The NCSC added that it had sought an undertaking from the Bell Group board that there would be no appointments to the board during the next two weeks. It said the board would consider the request today.

The NCSC's statement came as the two deals continued to generate controversy. Some minority shareholders of Bell Group complained that its founder and ruling force had unfairly sold a 40 per cent stake at a hefty premium without giving them a chance to benefit.

But the NCSC declared yesterday that its inquiries, though not complete, had not turned up a breach of the Companies Code provisions concerning share acquisitions which trigger a take-over.

Mr Holmes à Court himself indicated that shareholders stood to benefit from any takeover. He confirmed his wish to retire from the public corporate sector.

Mr Bond, long one of Mr Holmes à Court's business rivals, meanwhile faces an apparent infringement of new Australian media ownership rules which preclude the cross-ownership of newspapers, television and radio.

Although best known for his brewing interests, Mr Bond's large media operations include ownership of a television station and radio station in Perth.

Bell Group's ownership of the Perth-based West Australian newspaper group brings him into conflict with the rules, and leaves him six months to dispose of the television station or the newspaper group.

Confirmation also came yesterday from Sir Ronald Brierley, the New Zealand entrepreneur, that he and Mr Kerry Packer might have to increase their joint A$1.50 a share bid for Bell Resources, which is about 42 per cent-owned by Bell Group.

On the Australian stockmarket yesterday, both Bell Group and Bell resources were again heavily traded. Bell Group finished 10 cents higher at A$1.80 with 5.4m shares traded. Bell Resources closed six cents higher at A$1.68 on smaller volumes.

CONTENTS

CIVIL WAR STALEMATE OPENS WAY FOR PEACE IN ANGOLA

President dos Santos and his opponents may have some bitter pills to swallow before the civil war is over, Page 3

OVERSEAS NEWS

Planned tax rises 'imperil W German growth'

BY DAVID MARSH IN BONN

PLANNED CONSUMER tax increases for next year in West Germany could add to the danger of an economic slowdown in 1989, after modest growth of 2 per cent this year, the country's five leading economic research institutes said yesterday.

Presenting their biannual report on the economy, they called on the Government to raise consumption and investment next year by abandoning the tax increases on spending and bringing forward to 1988 DM20bn (£6.35bn) of income tax cuts planned for 1990.

On present trends, the institutes forecast a deceleration of growth to only 1.25 per cent in 1989. A less restrictive fiscal policy could double this to 2.5 per cent, the institutes claimed.

Unemployment is seen steady at about 2.3 m during the next 18 months, with the country's current account surplus remaining at near record levels of DM75bn and DM70bn respectively this year and next, after DM 80.5 bn in 1987.

Inflation is expected to inch up, with consumer prices rising 2.5 per cent next year after 1 per cent in 1988.

Mr Martin Bangemann, Economics Minister, and Mr Gerhard Stoltenberg, Finance Minister, responding to the report in a joint statement, said the Government saw no reason to bring forward the 1990 tax cuts.

Mr Stoltenberg, at a news conference, cast doubt on the forecast of a 1989 slowdown. He underlined that the West German growth outlook for 1988 was now much better than it appeared after the stock market crash last October, when many forecasters were projecting only 1 per cent growth.

However, he seems likely to run into considerable misgivings from the Economics Ministry over the plan to cut the central government borrowing requirement by about DM10bn next year, mainly through raising taxes on petrol and tobacco as well as though cutting subsidies.

The tax increases are due to be decided by the coalition government on July 7, in the budgetary guidelines for next year. Also that day, the Government is to adopt a supplementary budget for 1988, to take account of a sharp overshoot of the budget deficit for this year, now forecast at about DM40bn compared with the planned DM29.5bn.

The five institutes' report (from Berlin, Essen, Hamburg, Kiel and Munich) said West Germany's central economic problem was "a lack of growth dynamism". This was the root cause of high unemployment and the heavy external surplus.

Calling Mr Stoltenberg's plan to increase consumer taxes a mistake, the five said cancelling this tax increase, and bringing forward by one year the 1990 tax cuts, would not harm the budgetary strategy.

Mr Klaus-Werner Schatz, head of the economic forecasting department of the Kiel institute, claimed that these two moves would raise the overall state deficit next year to only slightly more than the DM47.5bn expected for this year. On the basis of present decisions, the overall State borrowing requirement next year would fall by between DM20bn and DM25bn, which the institutes regard as excessively contractionary.

GROWTH THIS year and next by the industrialised states, more rapid than has been foreseen, might slow the adjustment of world trade imbalances and sow the seeds for fresh turbulence in global financial markets, diplomats warned, Reuter reports from Paris.

They were speaking after a two-day committee meeting of the Organisation for Economic Co-operation and Development (OECD), called to prepare for ministerial talks in mid-May.

OECD economists, who forecast last December 1988 growth in the organisation's 24 member states at only 2.25 per cent, now expect 3 per cent.

Estimates for 1989 have risen to nearly 2.5 per cent from 1.75 per cent, the diplomats said.

"There are very significant warning signs," one diplomat said.

Wilfried Martens

Martens set for power in Belgium

By David Buchan in Brussels

MR WILFRIED MARTENS is expected to be returned to full power as prime minister of Belgium, and as Europe's second longest-serving elected leader, by a five-party coalition agreement reached yesterday.

The agreement will be put on Thursday to Congresses of the five parties involved – the Christian Democrats and Socialists of Belgium's French- and Flemish-speaking regions, and the Flemish nationalist Volksunie party.

Despite some likely ructions among French-speaking Socialists, the rank and file are expected to endorse their leaders' approval of an accord, so ending months of negotiations since Mr Martens's previous centre-right coalition fell at an election in December.

Mr Jean-Luc Dehaene, the Flemish Christian Democrat minister and close ally of Mr Martens, who has led these tortuous negotiations since January, yesterday publicly confirmed the rising speculation that Mr Martens would take over the reins of power once again. "I rejoice that the outgoing prime minister will lead the new coalition," Mr Dehaene said.

Mr Martens, whose Flemish Christian Democrat Party still has the largest single number of parliamentary seats (43 out of 212), first came to power a month before Mrs Margaret Thatcher took office in the UK in 1979, though he had to spend eight months on the sidelines two years later. From 1981, he subjected Belgium, with right-wing Liberal support, to an economic austerity programme that seemed ended in the December poll, in which the French-speaking Socialists were the only clear winners.

Peru forced to sell gold

PERU was last month forced to sell $100m worth of gold to obtain dollars to pay commercial debts, writes Barbara Durr in Lima. This follows a similar sale in February to raise $97m.

Mr Gustavo Saberbein, the Minister of Economy and Finance, publicly admitted the sale last week after it was denounced by an opposition member in Congress.

He said that the gold sale was required to clear trading debts with the Latin American Integration Association. Chile's net foreign currency reserves are $200m in the red.

The Government may have to introduce other adjustment measures, including a devaluation.

Alfonsin promises severe government spending cuts

BY TIM COONE IN BUENOS AIRES

A SEVERE reduction in government spending this year has been promised by Argentina's President Raul Alfonsin to halt the country's rising inflation rate.

In his annual speech made to inaugurate the new session of Congress on Sunday, he said that last year's fiscal deficit, which amounted to 7.2 percent of GDP, was incompatible with the consolidation of economic stability.

However hard the measures might appear in order to obtain fiscal balance, they were always better and less prejudicial for public welfare than the effects of accelerating inflation, he added.

Retail prices have risen by an estimated 60 per cent in the first four months of 1988. The government's political commitment since the beginning of the year to the freeing of price controls and free wage bargaining between employers and unions has meant it now has few options left other than to tackle the fiscal deficit directly.

President Alfonsin said a new tax package approved by the Congress was insufficient, and must be complemented with cuts in public spending.

Since the beginning of the year petrol prices have increased by 126 per cent, gas prices by 82 per cent and telephone charges by 164 per cent.

US 'to boost arms sales to Gulf states'

BY LIONEL BARBER IN WASHINGTON

THE US intends to step up arms sales to Saudi Arabia and other friendly Gulf states to counter the threat from Iran, according to a confidential US State Department report.

The Gulf states are among 33 countries identified as potential customers for US government arms sales which could reach more than $15bn (£8.3bn) this year - some $3.5bn more than last year.

The likely customers in the Gulf are Kuwait, Bahrain, the United Arab Emirates and Saudi Arabia, which is earmarked to buy $950m of military equipment.

But the biggest global customers are Israel, Egypt and South Korea which is listed as a potential buyer of some $3.3bn-worth of equipment including $1.5bn of advanced fighter aircraft, according to a report in the New York Times.

Under the Administration's annual arms sales proposal, Israel remains the biggest beneficiary with prospective purchases including $2bn-worth of F-16 fighter aircraft, UH-60 transport helicopters, and advanced radar and navigation equipment for its new Dolphin submarines in a package worth $3.6bn.

Egypt is earmarked as a customer for M-60 tanks, Maverick ground missiles, TOW anti-tank missiles and helicopters in a package estimated at $2.67bn.

In contrast to the Middle East arms bazaar, the US government plans to sell very few weapons to Latin America and Africa, both of which have suffered from cuts in the Administration's foreign aid budget (which includes military aid). Brazil, for example, is expected to buy only $7m-worth of weapons from the US.

Last year, Congress and the Administration agreed to a foreign aid budget of $13.6bn. Aid programmes for some 30 countries, most of them in Africa and Latin America, were eliminated.

Robin Allen in Dubai adds: Mr Hashemi Rafsanjani, Iran's parliamentary speaker, has warned that the US would be involving itself in a new Vietnam if it insisted on providing naval cover to all neutral ships asking for help against Iranian attacks. US warships were yesterday escorting three Kuwaiti-owned US-registered tankers towards the lower Gulf where Iranian warships are patrolling.

British and French naval units, the two largest apart from the US, have yet to receive new instructions in the light of the US statement of intent. Meanwhile, according to diplomats, there is "no change" in the ground rules for their respective naval units.

Hoffmann-La Roche skin drug under FDA scrutiny

BY RODERICK ORAM IN NEW YORK

A DRUG used to treat skin disease has come under scrutiny because of its close relationship to Accutane, an anti-acne drug which faces severe restrictions because of evidence it causes birth defects in babies born to women who use it.

Tegison, which is used to treat psoriasis, has been linked by scientists to seven cases of birth defects outside the US. Scientists at the US Food and Drug Administration are concerned it may be potentially harmful. Both drugs are made by Hoffmann-La Roche, the Swiss pharmaceutical company.

Unlike Accutane which is taken orally, Tegison is applied directly to the affected skin. The drug, on sale in the US since December, 1986, carries the warning that studies have not yet determined how long a woman must avoid pregnancy after using it. Dr Franz Rosa of the FDA estimated it remained in tissue and could be harmful for at least two years and possibly longer.

Hoffmann-La Roche said it was investigating side-effects of 10 new, related compounds which may be turned into drugs for treating skin diseases, cancer and ageing. "So far pregnancy risk does seem to come with this class of drugs," a company official said.

The company added that it was studying action including more strongly-worded messages accompanying Tegison which accounts for about $4m of the company's US sales.

In total, some 1,500 compounds closely related to Accutane have been created by drug companies, some of which might become drugs.

Bonn in protest on Renault aid

By Andrew Fisher in Frankfurt

WEST Germany has protested to the European Community over the FFr20bn (£1.9bn) of state help which France is giving to the Renault motor group up to 1990, claiming that the Commission had underestimated its impact on competition within the industry and on EC trade.

Mr Martin Bangemann, West Germany's Economics Minister, said in a letter to Mr Peter Sutherland, EC Commissioner for Competition, that state-owned Renault would probably have to leave some market sectors without the extra government help.

The Commission approved the aid in March on the basis that the French Government stick to its plans to change Renault's status to a public company subject to normal commercial law. This must happen in 1988. Of the aid total, FFr8bn has already been paid in capital injections; the other FFr12bn will be in the form of debt write-offs.

William Dawkins in Brussels adds: The EC is expected to decide within the next few weeks whether to take action to curb Italian government aid for Finsider, the struggling state-owned steel giant.

Brussels has written to Mr Carlo Fracanzani, the new Italian Minister for State Participation, warning him it is not satisfied with the Government's failure to provide the Commission with full details of the latest L6,000bn(£2.6bn) Finsider restructuring plan.

US puts operating curb on older Boeing 737s

BY RODERICK ORAM

US AVIATION authorities have imposed operating restriction on older, heavily-used Boeing 737 aircraft operated by US airlines until they can be inspected for structural defects.

The curbs came after the top was ripped off an Aloha Airlines 737 above Hawaii late last week.

The 19-year-old Hawaiian aircraft had had a punishing life of some 90,00 landings on short commuter hops between islands, coupled with constant exposure to corrosive salt water in the atmosphere.

One member of the crew was killed and 60 passengers injured but the aircraft managed to land at Maui.

The Federal Aviation Administration has limited 36 older 737-100 and 200 aircraft which have made more than 55,000 landings to a maximum altitude of 23,000 ft until they can be checked for skin cracking, corrosion or other defects.

Boeing estimated another 50 aircraft are operated by foreign carriers.

Hungary 'to decide on Kadar'

By Leslie Colitt in Budapest

HUNGARY'S outspoken Prime Minister, Mr Karoly Grosz, said the Communist leadership would decide next week whether Mr Janos Kadar, the ageing party chairman, would be replaced after 32 years in office.

In a radical departure from East European political practice, Mr Grosz said it was "only natural that I am one of the candidates" to succeed the 75-year-old Mr Kadar who came to power after helping to crush the 1956 Hungarian uprising. Mr Grosz made known his availability in a wide-ranging interview given before his visit to Britain which begins tomorrow.

The two other leading contenders for the party leadership, he said, were Mr Janos Berecz, the party's door ideology chief, and Mr Imre Pozsgay, the reform-minded Communist who heads the non-party People's Patriotic Front.

Mr Grosz acknowledged that demands to replace Mr Kadar, who is being blamed for Hungary's economic and political crisis, arose at seven recent grass-roots party meetings which he attended. Not all the speakers were "calm and objective".

Mr Grosz said party intellectuals who were "more sensitive to social and political issues" had passionately urged that Mr Kadar step down. By contrast, the Prime Minister noted, the intelligentsia in the Soviet Union wholeheartedly supported the economic and political reforms of Mr Mikhail Gorbachev.

Mr Grosz said a decision on Mr Kadar's future would be taken on May 10 at a plenary session of the Central Committee. The Central Committee meeting will be followed by a party conference beginning on May 20 at which a new leadership could be announced.

Mr Grosz admitted that he would reluctantly accept a call to lead the increasingly divided party although he had only been Prime Minister for 10 months which he said was "too little".

A senior Central Committee official however noted that the party was not "united" over Mr Kadar's political future or successor.

"To take over now as chairman entails high risk" for any of the candidates, he noted, because of Hungary's precarious economic situation. The nation has run up Eastern Europe's highest per capita foreign debt while official inflation exceeds 15 per cent.

The party official said an alternative outcome of the May 10 Central Committee meeting would be the political demise of conservative Politburo members who supported Mr Kadar's cautious reform policies. This would open the way for Mr Kadar to step down at the next party congress in 1990. The last party congress in 1985 limited the tenure of office of a future party leader to two terms totalling 10 years.

Farm aid policy 'could have cost 3m jobs'

By Bridget Bloom

UP TO 3m jobs in the European Community could have been lost because of the EC's expensive farm support policies, a new series of studies claims today.

The studies maintain that the abolition of the agricultural protectionist policies practised by industrialised countries could have major macro-economic effects.

As well as increasing employment in the EC, agricultural liberalisation could reduce the US trade deficit by some $40bn (£22bn) and boost incomes in developing countries by $26bn, allowing even the poorest to reduce their foreign debt by 5 per cent a year.

The studies are clearly designed to influence the political debate on world agricultural reform expected to gather pace with the forthcoming meeting of OECD ministers in Paris, the June economic summit and the Uruguay Round negotiations within Gatt.

They will be discussed at a seminar jointly organised by CIE and the Trade Policy Research Centre in London tomorrow.

Dr A. B. Stoekel, director of the CIE, claimed in London at the weekend that the findings of the studies were overturning conventional wisdom that jobs were secured through farm support policies.

The studies cover the effects of agricultural subsidies in and on the US, Japan, developing countries and the EC, especially West Germany.

EC alert on chocolate mergers

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN COMMISSION competition officials yesterday confirmed they were keeping a wary eye on the growing number of mergers taking place among chocolate companies, but denied that they were initiating any specific anti-trust inquiry.

Brussels is understood to have sent routine letters to the EC's top chocolate-makers to ask for details of market shares, as part of its duty to check that no company achieves a dominant position which it might be tempted to abuse by pushing up prices. EC competition rules allow the Commission to request commercial information when investigating possible monopolies – one of its few investigative powers.

Although Brussels has received no specific complaints from aggrieved counter-bidders or competitors, its attention has been caught by at least three takeovers during the past year in the EC's 1.7m-tonne chocolate market. These include the SFr190m (£73m) takeover last year of Belgium's Cote d'Or by Jacob Suchard of Switzerland, Cadbury Schweppes's £95m acquisitiopn of Poulain of France, and the purchase by Nestlé of the Italian producer Perugina as part of the Swiss group's takeover of the Buitoni food group.

Commission officials suspect that most of the takeovers are motivated by chocolate groups' wish to get their hands on a large slab of the EC market before the 1992 deadline for the creation of a Europe without trade barriers. As such, it is something Brussels welcomes. However, it might try to intervene if any attempt to wrap up the market were to threaten to trim consumer choice.

Asean calls for easy trade

BY WILLIAM DAWKINS

Genscher: Be bold

THE SIX members of the Association of South-East Asian Nations (Asean) yesterday appealed to the European Community not to strengthen external trade barriers during its drive to forge a free internal market by 1992.

Foreign ministers from the Asean organisation – which embraces Thailand, Singapore, Indonesia, the Philippines, Malaysia and Brunei – delivered that message at a meeting with their 12 EC counterparts in Düsseldorf.

This coincides with growing concern in Japan that the Brussels authorities might respond to protectionist pressure from some European industrial quarters, driven by anxiety that non-Community companies might be among the prime beneficiaries of a single EC market.

The European Commission's official line has been to keep the internal market as open as possible, subject to EC companies being given equally liberal access to markets in non-Community countries.

EC member states yesterday sought to reassure Asean ministers that the former would keep their markets open after 1992, and that the Community was striving to reduce farm surpluses – another source of anxiety for Asean countries.

Mr Hans Dietrich Genscher, West German Foreign Minister, called on Asean businesses to adjust their strategies to account for the internal market, adding that European businesses for their part should invest "less timidly in the region."

Trade between the EC and Asean has grown by 55 per cent since 1980. Last year, Asean countries had an Ecu 1.1bn (£741m) positive trade balance with the EC, half of which was due to manufactured goods.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Angola-Namibia talks face great obstacles

BY MICHAEL HOLMAN IN LONDON AND ANTHONY ROBINSON IN JOHANNESBURG

DELEGATES FROM the United States, Cuba, South Africa and Angola were gathering in London last night for two days of talks which open today. They are meant to pave the way for peace in Angola and independence for Namibia (South-West Africa).

All agree that there are formidable obstacles in the way of any breakthrough.

The ultimate goals, of what are cautiously described by participants as "talks about talks", are an end to the 13-year civil war in Angola between the government of President Eduardo dos Santos and Dr Jonas Savimbi's Unita guerrilla movement, and implementation of a UN plan for internationally supervised elections in Namibia.

The two objectives are inextricably linked. South Africa and the US (the main backers of Mr Savimbi) are insisting on the withdrawal of about 40,000 Cuban troops (reported to have been reinforced recently) from Angola before pressing ahead with the 1978 UN plan.

South African troops, with bases in northern Namibia, are permanently deployed in southern Angola, attacking guerrillas of the South-West Africa People's Organisation and giving air and artillery support to Unita.

Two main developments have made the London talks possible. The war between Unita and the government in Luanda, backed by their respective allies, is at stalemate, neither side being in reach of military victory. Also, the Soviet Union – whose Deputy Foreign Minister Anatoly Adamishin met US Assistant Secretary of State Chester Crocker in London last week – is reappraising its policies in southern Africa.

Whether these will lead to the resolution of a problem which has defeated western negotiators for more than 10 years remains to be seen for the main African protagonists have some bitter pills to swallow.

South Africa must be prepared to accept what has been anathema – the probability that Swapo would win a Namibian election.

Mr dos Santos is expected by Washington to pursue talks with Unita and create either a government of national unity or offer him and senior Unita colleagues a place in the Angolanadministration.

It is not surprising Pretoria is stressing that a breakthrough this week is unlikely. "By its nature, it (the London meeting) cannot be much more than exploratory," commented the State-controlled South African radio yesterday.

In any event, the seniority of the participants rules out fundamental decisions. South Africa is represented by Mr Neil van Heerden, Director-General of Foreign Affairs. Although Angola is sending Mr Afonso van Dunem, Foreign Minister, and Mr Jorge Risquet, Politburo member, is coming from Cuba, the three will be able to do little more than report back to their respective governments.

So, the non-participants in the conference who could be among the beneficiaries of progress – Swapo and Unita – can do little more than watch and wait.

Joining them on the sidelines is the African National Congress, banned in South Africa, whose training bases in Angola are vital to its guerrilla campaign against Pretoria.

It is inconceivable that South Africa would agree to a settlement in Nambia and Angola which leaves those bases unaffected. Just as Pretoria forced Mozambique to curb the ANC on its territory, Mr dos Santos would probably be compelled to restrict the ANC's activities in Angola.

S Africa likely to curb credit

By Anthony Robinson in Johannesburg

THE South African authorities are expected to announce a package of credit restrictions and higher interest rates this week to curb a sharp rise in economic growth before the balance of payments is strained.

The Reserve Bank, worried by a sharp rise in credit demand and soaring money supply, is expected to raise its bank rate by at least one percentage point from 10.50 to 11.50 per cent. The commercial banks, squeezed by lower margins after the recent sharp rise in bank borrowing and higher money market rates, are expected to follow suit by raising their prime rates from the current 14 per cent.

The first sign of a more restrictive monetary environment came on March 9 when the Reserve Bank raised the bank rate from 9.5 to 10.5 per cent. The Reserve Bank recently reduced its 1988 target range for growth in the broad money supply, M3, to between 12 and 16 per cent.

This is two percentage points below the 1987 target and consistent with 3 per cent growth and a gradual reduction in inflation from the present 14.3 per cent.

Seasonally adjusted, however, M3 grew by 22.6 per cent over the first quarter, reflecting the 5 per cent surge in Gross Domestic Product growth over the last quarter of 1987 which continued into the first quarter of this year. Faster growth has sucked in imports while exports have failed to keep pace.

This has resulted in a sharp deterioration on the trade account and what is believed to be an overall current account deficit over the first quarter.

Last week Dr Gerhard de Kock, governor of the Reserve Bank, warned Afrikaner businessmen: "If South Africa enjoyed normal political relations such a deficit would automatically have been financed to a considerable extent by a normal inflow of foreign capital. But because of our unique political position in the world we cannot depend on such an inflow."

If the current account was not kept in surplus or "reasonable equilibrium" he added, "excessive downward pressure might be brought to bear on the rand exchange rate and/or the gold and foreign currency reserves."

In March last year South Africa signed a three-year debt repayment agreement with its major creditor banks under which it agreed to repay by June 1990 \$1.42bn of the \$13bn frozen by the unilateral "debt standstill" imposed in August 1985.

It is also committed to repay a total of \$10bn kept outside the standstill "net" and fully service the entire foreign debt. This stood at around \$24bn in August 1985 but has since been reduced to just over \$20bn.

French voters weigh up the 'bad' and 'worst'

Chirac's uncontested leadership of the right is at risk in next Sunday's presidential run-off, writes Paul Betts in Paris

ALL THE chips are now down for the final round of the French presidential election next Sunday.

Although Mr Jacques Chirac, the right-wing Gaullist RPR Prime Minister, is making a frenzied effort to win back some ground from President François Mitterrand, the hot favourite, by staging a last-minute electoral marathon around the country – he spoke at Bordeaux, Toulouse and Montpellier yesterday – the last major unknown in the election was lifted at the weekend.

Before a crowd of about 40,000 drenched by the rain in the Tuileries gardens in the heart of Paris, Mr Jean Marie le Pen, the National Front leader who polled 14.4 per cent of the vote in the first round, urged his supporters not to vote for President Mitterrand but did not encourage them to vote for Mr Chirac either.

In his most theatrical and bombastic style, the stocky, blond leader of the French extreme right told his voters that they had the choice between "le pire", the worst – in other words Mr Mitterrand, and "le mal", the bad, or Mr Chirac. A few hours earlier, he had basked in his new-found international stardom by leading a procession of about 25,000 supporters through the streets of Paris to the statue of Joan of Arc near the Tuileries. Before he spoke in the gardens, a Latin mass was held in the rain.

When he finally appeared on the podium to the now familiar operatic crescendo of the slaves' chorus of Nabucco, which Mr Le Pen has adopted as his signature tune, a group of burly coalminers with blackened faces and lilies of the valley hanging from their blue overalls and a farmer with a pitchfork stood around the National Front leader in the ultimate expression of kitsch.

Sheltered under a big chestnut tree, the assistant of a National Front deputy accosted me and remarked: "In Britain you don't have these problems. You have Mrs Thatcher." He added that Mr Le Pen had been misrepresented and slandered.

On the eve of Mr Le Pen's rally, exceptional security measures were deployed in Paris to avoid a possible clash between the trade union May Day marches and the National Front celebrations. Despite the heavy police presence, three local offices of the National Front were sacked and the equestrian statue of Joan of Arc near the Tuileries was defaced with a black spray SS sign.

Chirac: last-minute scramble

Since his unexpectedly large score in the first round, Mr Le Pen has been regarded as one of the key arbiters in the run-off between Mr Mitterrand and Mr Chirac next Sunday. Although Mr Le Pen has not minced his words against Mr Chirac and his RPR Gaullist party, the National Front leader chose to limit the damage for Mr Chirac by calling on his supporters not to vote for Mr Mitterrand but at the same time not endorsing Mr Chirac.

This may appear paradoxical, on the surface at least. But if Mr Le Pen had openly endorsed the Chirac candidacy, he risked embarrassing the Gaullist Prime Minister in his efforts to attract centrist voters fiercely opposed to any compromise between the mainstream right and the National Front. At the same time, Mr Le Pen did not want to offend his own grassroots support drawn to a significant extent also from disgruntled RPR voters by urging them to vote for Mr Chirac.

However, Mr Le Pen's position, as for that matter the Mitterrand-Chirac television duel last week, is unlikely to make much difference to the final vote next Sunday which Mr Mitterrand is widely expected to win, according to the last batch of opinion polls. But Mr Le Pen has now sown the seeds for the political denouement after the May 8 election.

His strategy, as he implied again on French radio yesterday, is to force the integration of his movement into the so-called traditional or "respectable" French right. He believes that with his 14.4 per cent he is now an essential component of the French right as a whole and can no longer be treated as a freakish and marginal political phenomenon. He also intends to use the next cantonal and municipal elections to strengthen his political credibility and respectability as well as his local bases by forcing the traditional right to negotiate more openly with him.

This is already beginning to happen. While Mr Chirac is continuing to insist he would not envisage a deal with the National Front, Mr Charles Pasqua, his Interior Minister, has suggested in the last few days that there was no fundamental difference between the basic values of the National Front and the current French right-wing majority.

Mr Pasqua's statement has been regarded by some commentators as a major political blunder but by others a calculated gamble to attract National Front votes to Mr Chirac as the Gaullist candidate pirouettes to win the support of the centre. For Mr Chirac every vote he can get is now crucial not so much to defeat Mr Mitterrand, which is against all the odds, but to prevent the worst.

Mr Chirac, after his poor performance in the first round, must at all cost make a respectable score next Sunday and reduce as much as possible the gap with Mr Mitterrand. If he fails, his efforts to become the uncontested leader of the French right will be seriously, if not irrevocably, undermined. If he succeeds in polling a respectable score of 48-49 per cent, his chances will remain good in the inevitable remodelling of the French right

But whatever happens, one thing is certain. From now on the traditional right will have to contend with and probably compromise with Mr Le Pen.

Opec fumbling of export cut offer underlines rift

BY STEVEN BUTLER

THE RIFT in the Organisation of Petroleum-Exporting Countries between the big Gulf Arab producers, mainly Saudi Arabia and Kuwait, and the rest of the cartel's members reached a new depth in the early hours of yesterday morning, when Opec failed to agree any response to an offer by non-Opec oil exporters to cut exports.

Despite the sharp drop in oil prices yesterday, however, Opec has not yet run the course of its ninth life.

Oil markets had firmed in recent weeks, as much through the fear as the expectation that Opec would agree to cut production and thereby push prices back to the \$18-a-barrel benchmark. With that possibility, however unlikely, no longer on the horizon, the markets are back to the fundamentals of oversupply and weak demand.

Or are they? There are plenty of supply and demand projections from analysts around the globe that show demand for Opec oil rising steadily to well over 18m barrels a day in the second half of 1988. That compares to current production in the region of 17.5m b/d and would be enough to skim off the current exess of supply and lift prices.

Most of Opec, led by Iran the price hawk, does not want to wait or take chances with the inexact science of price forecasting. Iran yesterday accused Saudi Arabia of seeking low oil prices in order to harm Iran's war efforts, and this is almost certainly one element in a complicated equation. The increasing tension between these two Opec members was underlined by the Saudi move last week to break diplomatic ties with Iran.

Just as important, however, is that fact that Saudi Arabia is sitting on at least a quarter of the world's oil reserves. It has the luxury of being able to take a long view on oil markets and wants to maintain demand for oil by keeping it at a competitive price. Many now believe the Saudis are seeking a \$15 price – far below the Opec reference price of \$18.

Still, the question remains whether Opec has lost an historic opportunity by letting an offer to cut production from non-Opec producers slip by. This is something that Opec has long called for.

Banks reschedule Ivorian debt on generous terms

BY NICHOLAS WOODSWORTH IN ABIDJAN

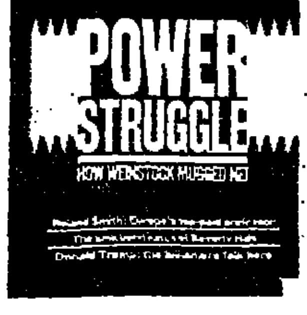
COMMERCIAL banks have granted the Ivory Coast, one of Africa's richest countries, unusually generous terms on the rescheduling of its medium-term debt and pledged \$150m to help meet interest payments due in 1988.

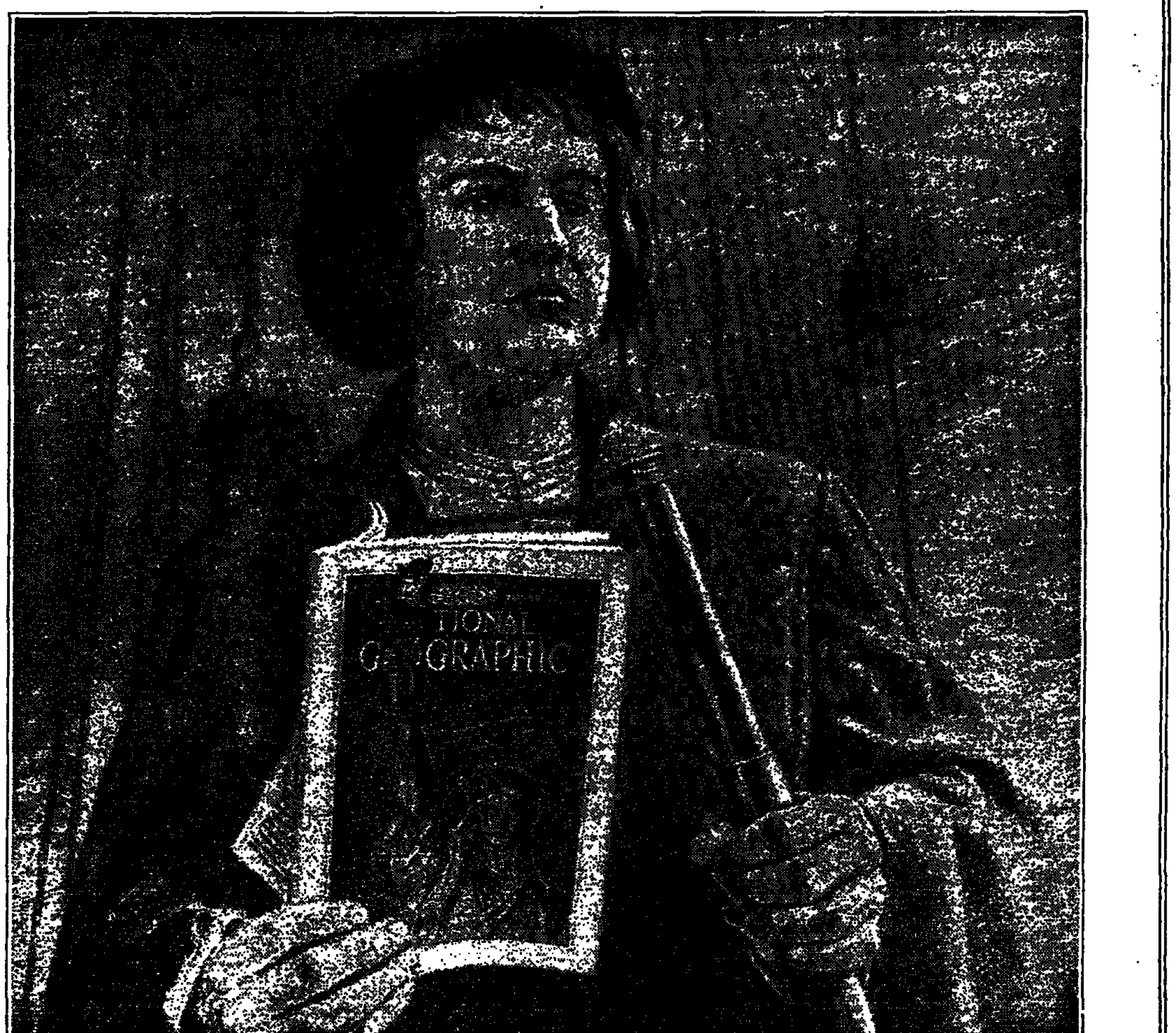
The agreement, signed in Paris on Friday, provides for the rescheduling of all principal falling due in the period 1988 to 1995, over 15 years. Repayments are due to start in mid-1993 and end in 2002.

The deal comes 11 months after the Ivorian Government declared itself unable to service its debt owing to the collapse of world market cocoa and coffee prices. Although a rescheduling agreement was in principle reached in mid-February, ratification was delayed owing to disagreement between bankers over the amount of new money that should be provided to honour interest payments due in 1988. The \$150m pledged is equivalent to approximately half the Government's debt service requirements this year.

The Ivorian Government had also been resisting bankers' demands for a new clause to be inserted in the agreement to the effect that debt service could no longer be rescheduled.

The agreement paves the way for the release of an SDR82.8m compensatory financing facility and an SDR94m standby credit from the International Monetary Fund. The Fund had made disbursement conditional on the conclusion of rescheduling agreements with commercial and official creditors. A rescheduling agreement was struck with the Paris Club in December.





OVERSEAS NEWS

Japanese invest less in securities overseas

By Stefan Wagstyl in Tokyo

JAPAN'S investment in foreign securities slumped in March to $608m (£337m) from nearly $11bn in February, according to figures published yesterday.

The Ministry of Finance report shows how quickly the flow of Japanese funds shrank in a month of uncertainty on the foreign exchange market. The US dollar was weak during most of March, amid reports that Japanese institutions were either selling or planning to sell large holdings of the American currency.

In addition, since the financial year ends in March for most Japanese institutions, many companies sold foreign securities for accounting reasons. Purchases of foreign securities are thought to have recovered sharply last month.

Net purchases of overseas bonds in March amounted to $1.14bn. There were net sales of foreign equities to the tune of $530m.

Meanwhile, Japan's surplus with the rest of the world continues to shrink – albeit very slowly, according to the ministry's figures.

The seasonally-adjusted current account surplus for March was $7.28bn, against $7.86bn in February. The adjusted trade surplus was $8.40bn, against $8.45bn.

Exports were 0.5 per cent down at $20.8bn while imports fell 0.4 per cent to $12.4bn.

For the financial year to the end of March, the current account surplus was $84.54bn, down from $94.1bn – the first year-to-year decline in seven years. The trade surplus was $94.3bn, down from $101.6bn in 1986-87.

A sign that the decline in the surplus might be greater in the current 1988-89 year came with the publication of customs-cleared trade figures for the first 20 days of April.

These, calculated differently from the balance of payments figures, showed a a 38 per cent increase in imports to $10.7bn, compared with the same period last year, and a 12.5 per cent surge in exports to $13.9bn.

Chris Sherwell, recently in Brisbane, reports on a major event in Australia's bicentennial calender

Expo 88 puts Brisbane on international display

A FUTURISTIC monorail weaves its way around and above vast polyester canopies known as "sun sails". *Modern sculptures* dot the landscape. These are some of the features of the 40-hectare site of Expo 88, a six-month world fair opened by *Queen Elizabeth* at the weekend.

Expo 88, with the theme "Leisure in the Age of Technology", is easily the biggest event in Australia's bicentennial year, and probably in its history. The last time the country put on an expo was in 1888, to help mark the *first 100 years of white settlement.*

Brisbane hopes the event will help make it *Australia's* second most popular tourist city after Sydney. Certainly it will do more than the 12-day Commonwealth Games in 1982 to put the city on the map, and probably more than the 1992 Olympics, had Brisbane won the right to hold them over Barcelona.

The state of Queensland and Australia will also benefit. However, as preparations have progressed over the past four years, *Expo 88 has been the object of* doubt and derision from Canberra, from Australia's other states and even from some quarters in *Queensland and Brisbane itself.*

Only recently have the governments of key states like New South Wales and Victoria decided to participate. Even the Lord *Mayor of Brisbane has only latterly* become more closely associated with the event.

One reason for their hesitancy was its clear identification with the Queensland Government, and in particular Sir Joh Bjelke-Petersen, the former maverick state *premier. His departure from* office last year contributed to the change of sentiment.

A more important reason, however, is that Expo 88 is now certain not to be a failure. Heavy advance sales of discount-priced tickets mean that the target of 7.8m *visits will easily be* exceeded. According to Sir LLew Edwards, who heads the Expo 88 authority organising the event, attendance will be 12m to 13m.

By the standards of major expositions at Montreal in 1967 (50m) and Osaka in 1970 (64m), *this seems small* beer. But it would exceed attendances at Seattle in 1962, Spokane in 1974 and New Orleans in 1984, and *would compare well with the last* world's fair in 1986, which attracted 6m visitors.

One respect in which Brisbane is plainly setting an example is in *participation.* A total of 52 governments from 43 nations will be represented, well in excess of the original target of 30 and more than any previous expo has attracted.

Bigger countries have offered financial assistance to some *countries to allow them to* attend. Kenya and the small South Pacific island states, which see major tourist potential in being in Brisbane, have been assisted in setting up exhibitions and displays.

Two disappointing absentees *are India and Saudi Arabia,* which clearly had more difficulty getting to grips with Expo 88's theme. One unusual participant is the Vatican, which will exhibit some of its treasures. One of the four remaining copies of the Magna Carta is also on display.

Among the score of corporate exhibitors are IBM and Ford of the US, Fujitsu of Japan and Cadbury Schweppes of the UK – all through their Australian subsidiaries. At the other extreme, even the Queensland Teachers' Credit Union has a large stand.

When visitors are not being absorbed by the pavilion exhibits, they will be entertained 12 hours a day, seven days a week with a programme of 20,000 events arranged by Mr Ric Birch, the *man who produced the opening* and closing ceremonies at the Los Angeles Olympics.

With a budget of A$36m, he is laying on a day and night parade daily, non-stop *street entertainment* throughout the grounds and regular shows and concerts almost every hour in four other locations – a river stage, an amphitheatre, a town square-type piazza and an "aquacade."

Next door to the expo site are two more attractions: the Queensland Performing Arts Complex, featuring performances from the English Shakespeare Company and the Peking Opera, a Beethoven piano festival, the Flying Karamazov Brothers and dozens of other productions; and a A$50m amusement park offering thrill-seekers three rollercoaster rides.

The Brisbane area will also play host to 75 international conventions during the course of the year, reinforcing the estimated A$1bn boost Expo 88 is already giving to the local economy.

Indeed, the main concern about Expo 88 is no longer whether it will be a success but whether Brisbane can cope. Expo's organisers insist there will be no accommodation shortage. As of last month, more than 2m room-nights were still available in *Brisbane and the nearby* Gold and Sunshine Coasts.

Even financially, Expo 88 can claim to be setting a precedent. The only government funding it received was a loan. And according to Sir Llew Edwards, it will turn a small surplus.

About A$150m of the A$450m budget will be recouped as ticket revenue, a good proportion of it from advance sales. Another A$125m will come in from exhibitor rentals, sponsorships, and licenses to sell merchandise, food and beverages.

The third major contribution will come from the Expo site itself. Elaborate as it may now seem, like all fairs it is only temporary. The south bank of Brisbane's River, once an industrial slum, will be redeveloped.

A consortium called River City 2000 has agreed to pay A$150m for the bulk of the site. Remaining parts will realise another A$30m. Since the area originally cost the Expo authority around A$93m, the sale will ensure a surplus.

In Expo's place, on a newly-created artificial island, will be built a waterfront convention centre, hotel, casino, a tourist-oriented complex and commercial centre, all set in parkland.

The participants will meanwhile have moved on. The next Expo – the 23rd since world fairs began at Crystal Palace in London in 1851 – *will be at Seville in* Spain in 1992. Preparations are already under way. Unlike most recent events, it will be a "universal" expo. The projected attendance is 30m.

UN chief to hold talks on Western Sahara

THE GUNS have fallen in Western Sahara ahead of the arrival today of Mr Javier Perez de Cuellar, the United Nations Secretary General, in Morocco today to try to negotiate an end to the protracted conflict over the north African territory, Reuter reports from Rabat.

No fighting has been reported for more than three months in the conflict pitting Morocco against Algerian-backed Polisario Front guerrillas fighting for independence.

Mr Perez de Cuellar will first see King Hassan before flying on for talks with the leaders of Mauritania and Algeria. He will also meet top Polisario figures in Algeria.

He is expected to push for compromises over arrangements for a UN-sponsored referendum on self-determination in the territory.

Taiwan trade goal eludes US

BY MARTIN WOLF IN TAIPEI

THE US has admitted that, after four days of intensive trade talks with Taiwan, it has failed to achieve its main goal – *a firm bilateral trade liberalisation plan* for 1988.

The US delegation had a long agenda, including improved protection of intellectual property, more liberal access to Taiwan's financial markets, further liberalisation of imports of agricultural products, additional lowering of industrial tariffs and removal of a large number of non-tariff barriers.

However, the discussions – the first general trade talks between the two sides for a year – were described as a useful contribution to what the US views as *a continuing process.*

Economics Vice-Minister Wang Chien-shien claimed to be quite satisfied with the talks, which ended at the weekend. They were "not a battle between winner and loser," he said.

Also of interest was procurement *from US suppliers for major* government projects, this being the most direct way to reduce the bilateral imbalance.

Behind Washington's agenda is the recognition that Taiwan has become the US's fifth largest trading partner, with a bilateral trade surplus of $16bn last year. Taiwan also possesses the world's third largest reserves of gold and foreign exchange.

The US, which argues that Taiwan needs to adopt policies equivalent to those of other major trading nations, was disappointed at Taiwan's unwillingness to extend bilateral copyright protection to future infringements of pre-1975 works.

Taiwan also indicated that it did not want to establish a "world-class financial centre".

The US goal on this issue is to extend national treatment to foreign suppliers.

Even so, the Taiwanese indicated willingness to allow four new US insurance companies to be set up each year, but insisted that financial markets could only be liberalised step by step.

No progress was achieved on agriculture. The US delegation ended by reiterating its opening requests, including progress towards the elimination of subsidised rice exports.

Vice-Minister Wang stated that Taiwan would not consider lowering agricultural tariffs, an issue on which the Government faces severe domestic pressure. He did announce, though, that Taiwan would consider lowering tariffs on 110 industrial goods. The US delegation repeated its desire to see further reduction in tariffs, especially the high ones.

Tamil Tigers *kill 39 in ambush attacks*

By Mervyn de Silva

TAMIL Tigers killed 39 people in attacks in Sri Lanka over the weekend. Almost all the victims, including six soldiers, were Sinhalese.

The soldiers and seven other passengers were killed when the Tigers ambushed a van in the island's north-east. On Sunday, a state-owned bus hit a Tiger landmine on a road leading to Trincomalee, *killing 26 passengers.*

By attacking isolated Sinhalese "settler-colonies" and Moslem homesteads, the Tigers are putting tremendous political pressure on President Junius Jayawardene.

The emergence of two armed youth groups called Jihad and Hizbollah has alarmed the Government.

Nigerian nationwide strike ends as detained union leaders freed

BY MICHAEL HOLMAN

A NATIONWIDE strike in Nigeria to protest against increases in petroleum prices ended yesterday following *intense negotiations between* government officials and labour leaders.

The Government has agreed to the principle union demand that four detained union leaders be released said the Labour Ministry in a statement issued after five hours of negotiations with eight union leaders.

Labour Minister Aboubacar Umar made no mention of the unions' second demand that there should be no further petroleum price increases.

There was no immediate comment from the union leaders.

May Day rallies were banned in Nigeria as senior government and trade union officials met yesterday.

A spokesman for a six-member *labour delegation, speaking* before the meeting, said it would demand the release of union officials detained by government in an effort to curb what has become a sustained protest against the military government's economic austerity programme. He said the delegation would also seek a meeting with President Ibrahim Babangida.

The protests arose from a mid-April rise in fuel prices, and at least six people died in the northern city of Jos.

Yesterday was the May Day holiday and Lagos, the country's main city, was quiet. Last week bank and insurance workers stayed away from work, as did many hospital workers, and bus services were disrupted by strikers. The city's international airport, hit on Friday by absences of technicians, was reported to be operating normally.

Further strikes this week will underline the fact that the military administration's authority is being steadily eroded, and the successful *defiance of bans on* demonstrations suggests that its popularity is low. Relaxation of its economic austerity programme might restore some lost *support, but that would* undermine its relationship with the International Monetary Fund and the World Bank, co-architects of the programme.

War 'affecting one-third of Mozambicans'

By Michael Holman

MORE than one-third of Mozambique's 14m people have either fled the country, been displaced from their homes, or directly affected in other ways by the war waged by the South African-backed *Mozambique* National Resistance (MNR), says a report published in London today by the British charity Christian Aid.

The report, "Mozambique: *Caught in the Trap*", describes a systematic campaign of destruction in which villages and crops have been destroyed, livestock slaughtered, and civilians massacred. "*Conditions in areas* attacked by the MNR are horrific," Jenny Borden, head of the organisations's Africa section, said yesterday.

The description of the rebels' tactics is corroborated by an analysis of the war released last month by the US State Department. At least 100,000 civilians have been killed by the MNR in the last two years, says the analysis in a carefully-researched *indictment. A further* 1m have fled to neighbouring countries.

The rebel body was created in 1977 by the white Rhodesian government. South Africa took over the MNR after Rhodesia became Zimbabwe in 1980, and has continued to support the rebels.

"Mozambique: Caught in the Trap", Third World Publications, 151 Stratford Road, Birmingham B11 1RD. £2.95.

Roh appoints ex-army chief to top party post

BY OUR FOREIGN STAFF

PRESIDENT Roh Tae Woo of South Korea yesterday named a controversial former Army general to a top post in the ruling Democratic Justice Party.

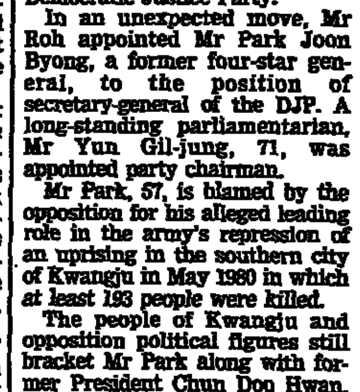
In an unexpected move, Mr Roh appointed Mr Park Joon Byong, a former four-star general, to the position of secretary-general of the DJP. A long-standing parliamentarian, Mr Yun Gil-jung, 71, was appointed party chairman.

Mr Park, 57, is blamed by the opposition for his alleged leading role in the army's repression of an uprising in the southern city of Kwangju in May 1980 in which at least 193 people were killed.

The people of Kwangju and opposition political figures still bracket Mr Park along with former President Chun Doo Hwan, Mr Roh – then a serving major-general – and two other army chiefs, as the "five enemies" of Kwangju.

Mr Park has often denied his alleged culpability in the killings which resulted from the suppression of the uprising. He was not in charge of the initial military operation to quell the uprising – which was conducted by paratroopers – but with mopping-up operations thereafter.

In the past, he has welcomed an inquiry into the events of May 1980 in the belief that his name would be cleared.



President Roh

Mr Park takes over the post of DJP secretary-general from Mr Sim Myeong Bo, a moderate former newspaper editor who resigned Saturday morning along with 27 other key DJP officials to take responsibility for the party's disastrous showing in the April 26 general election.

The party reshuffle had been widely predicted. Government officials said that Mr Roh is also expected to drop some unpopular ministers from his Cabinet sometime this week.

SHIPPING REPORT

Crude oil tanker rates weaken

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

RATES FOR most classes of crude oil tanker weakened last week as representatives of the Organisation of Petroleum Exporting Countries discussed *output reductions in Geneva, but* owners of very large crude carriers remained confident that prices would turn upwards shortly.

Several major charterers were said to have inquired for VLCC tonnage in the Gulf, but prices *were depressed by the availability* of around 4.5m tonnes deadweight of tankers.

E. A. Gibson, the London brokers, said a shipment of 235,000 tonnes to Taiwan was fixed at Worldscale 38, while French charterers were paying around World*scale 35 for Western discharge.*

Brokers said there was renewed interest in clean products carriers of around 50,000 tonnes for the run to Japan, for *which rates increased to World*scale 150. The firmer trend for products tankers also encompassed ships of around 30,000 tonnes, for which rates of around *Worldscale* 170 were obtainable for similar voyages.

For the shorter voyage to India, ships of around 25,000 tonnes were receiving Worldscale 235, with an additional 10 points for loading in the northern Gulf.

Elsewhere, there was little activity in the West African market and rates continued to be weak. Worldscale 55 was paid for a ship of 124,000 tonnes for dis*charge in France. Earlier,* American charterers fixed a VLCC for discharge in the US Gulf at a rate reported to be in the upper Worldscale 30s.

The Mediterranean markets opened on a slow note, but there was an increase in inquiries towards the end of the week. *Rates fell in the Caribbean* area, but there was little change in the rate for cross-UK/Continent traders. With only minimal business being concluded, levels remained around Worldscale 85, although brokers said this was not likely to be maintained.

Rates continued to fall in the dry cargo markets.

WORLD ECONOMIC INDICATORS
UNEMPLOYMENT

	Mar.'88	Feb.'88	Jan.'88	Mar.'87
USA 000's	6,801.0	6,938.0	7,046.0	7,791.0
%	5.6	5.7	5.8	6.5
UK 000's	2,592.1	2,665.5	2,722.2	3,143.4
%	9.3	9.6	9.8	11.3
	Feb.'88	Jan.'88	Dec.'87	Feb.'87
W. Germany 000's	2,516.5	2,518.7	2,308.2	2,487.8
%	9.2	9.2	8.4	9.0
Netherlands 000's	700.7	700.3	697.0	708.7
%	12.2	12.2	12.1	12.3
Belgium 000's	476.1	493.8	498.4	508.4
%	11.6	12.0	12.1	12.3
Japan 000's	1,660.0	1,660.0	1,620.0	1,740
%	2.70	2.70	2.60	2.86
	Jan.'88	Dec.'87	Nov.'87	Jan.'87
France 000's	2,689.3	2,676.6	2,670.4	2,728.7
%	11.5	11.4	11.4	11.6
Italy 000's	3,531.0	3,447.0	3,325.0	3,330.4
%	15.2	14.8	14.3	14.3

Source: (except US, UK, Japan) Eurostat.

Tighter security expected after Netherlands killings

BY MICHAEL CASSELL AND KIERAN COOKE

A TIGHTENING of security procedures for British forces serving in Europe is expected to be reported to the Commons today by Mr George Younger, the Defence Secretary, after the murders by the IRA of three off-duty servicemen in the Netherlands.

Mr Younger, who has already pledged that everything possible will be done to increase security for servicemen on the Rhine, is also likely to give MPs a progress report on investigations into the killings.

The attacks, which seriously injured three further British soldiers, will in addition be raised at tomorrow's scheduled meeting in Dublin of the Anglo-Irish intergovernmental conference.

The Irish Government has already made clear that it intends to raise the March shootings of three IRA members in Gibraltar. Last week, Mr Charles Haughey, the Irish Prime Minister, said he was "gravely concerned" about disclosures made in a Thames TV programme alleging that those killed in Gibraltar were shot while their hands were in the air.

The weekend murders in the Netherlands will now be added to the Dublin agenda, with both governments expected to focus their attention not only on ways of strengthening cross-border co-operation but also on efforts to combat IRA activities on the Continent.

Charles Haughey: condemned the Netherlands killings

Mr Haughey said yesterday that he totally condemned the latest killings, while Mr Alan Dukes, the leader of the opposition Fine Gael party described the killings as despicable. He said the Provisional IRA had shown by its actions that it was "the enemy of all of us."

Reports in Dublin indicated that Sunday's killings were not a Gibraltar revenge attack. One source suggested that it might, along with the ill-fated Gibraltar mission, have formed part of an IRA terror campaign intended to demonstrate the terrorist organisation's continued ability to strike at British targets.

An IRA statement issued in Belfast 12 hours after Sunday morning's attacks said: "We have a simple message for Mrs Thatcher – disengage from Northern Ireland and there will be peace."

The statement went on to make an obvious reference to Mrs Thatcher's attendance at an airport ceremony for the bodies of the two army corporals killed during an IRA funeral in Belfast in March. "There will be no haven for your military personnel and you will regularly be at airports awaiting your dead."

The IRA has frequently shown that it can mount attacks on the Continent, where military personnel are often less protected, presenting more public targets. In 1979 the IRA killed the British ambassador in The Hague and his Dutch assistant. A year later the IRA shot dead a British colonel serving with the British army on the Rhine. It also shot dead a Belgian banker, mistaking him for a British diplomat.

There have also been several IRA bomb attacks against the British military in West Germany and Belgium. A year ago, a 220lb bomb exploded at a Nato officers' club near Düsseldorf. More than 30 people were injured.

Justinian, Page 6

Tory MPs press for Rowntree bid referral

By Michael Cassell, Political Correspondent

THE GOVERNMENT faces mounting Tory backbench pressure to refer the bid by Nestlé of Switzerland for Rowntree, the York-based confectionery group, to the Monopolies and Mergers Commission.

About 20 MPs, including Mr Michael Heseltine, have so far signed a Commons motion criticising the "predatory actions" of overseas companies which it claims are themselves protected from takeover by their national laws.

Mr Heseltine has written to Lord Young, the Trade and Industry Secretary, voicing his objections to the proposed £2.1bn takeover.

Mr Heseltine said yesterday that acquisitions involving countries that usually treated each other as equals were often acceptable.

However, he accused the Swiss of acquiring businesses abroad while denying foreign companies opportunity to operate in Switzerland.

The Department of Trade and Industry said it knew of no blanket law forbidding foreign takeovers of Swiss companies. It is investigating possible restrictions.

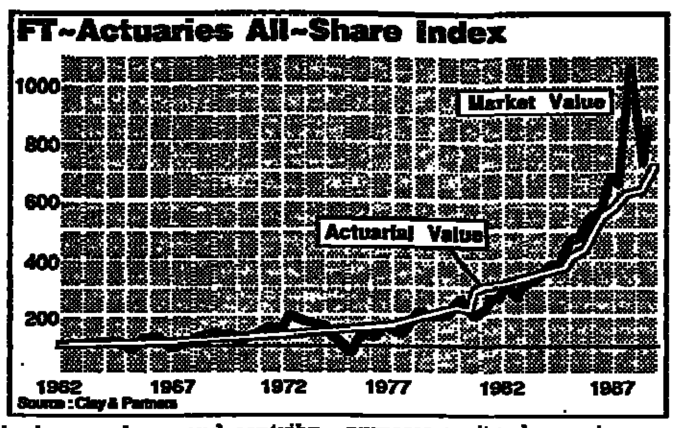
Eric Short on why Black Monday did not cloud pension funds' future

Through the crash without a scratch

THE REACTIONS of investor groups to Black Monday – the name given to the day on which the stock market collapsed last autumn – generally comprised a mixture of incredulity and despair.

But as far as actuarial consultants advising company pension schemes were concerned, the response can only be described as one of complete indifference.

Mr Tom Ross, a partner with the consulting actuarial firm Clay and Partners, told pension fund administrators at the recent annual conference of the National Association of Pension Funds in Blackpool: "The stock market crash was an irrelevance."



The return on pension fund assets last year, according to the WM Company, the largest of the firms measuring pension fund performance, was 3.4 per cent including property investment or 2.4 per cent excluding it. In comparison, employees' earnings rose by 8.5 per cent and retail prices by 3.7 per cent.

Since the primary objective of the investment of the assets of a final salary-based pension scheme is to outperform earnings growth, the conclusion is that pension fund surpluses are at least going to be reduced and that contribution holidays will come to an end.

However, Mr Ross told delegates that over the short term they could look forward to continuing surpluses and contribution holidays.

He gave a simple explanation for that apparent paradox. In his valuation process, the actuary compares the expected benefit payment outflow from the fund with the projected inflow through contribution payments and investment income.

To get an easy comparison, he discounts outflow and inflow to find a present value of liabilities and assets – the excess of the value of assets over liabilities being the actuarial surplus.

Since most pension funds have a positive cash flow and there is no pressure to sell equities or any other investments to meet liabilities, the actuary regards equities as providing an increasing stream of dividend income.

The stock market crash was irrelevant, because for valuation purposes equity share prices are irrelevant. The driving force in equity values, as far as pension actuaries are concerned, is the current level of equity dividend payments and expected future growth in dividends.

On that basis, the actuarial value of the FT–Actuaries All Share Index has in recent years lagged behind its market value as shown in the table. Even after October, there is still a positive gap between market and actuarial value.

Dividend growth on UK equities has been extremely buoyant in the past few years and did not falter last October.

Mr Ross showed that during 1987, real dividend growth (actual dividend growth less retail price increases) over the four quarters was 1.4 per cent, 1.3 per cent, 3.3 per cent and 2.3 per cent. But in the first quarter of this year, real dividend growth was 4.1 per cent, and Mr Ross said the market was predicting such strong growth would continue.

In those circumstances, it is quite possible for the actuarial value to exceed the market value. Indeed, Mr Ross said the dividend growth would be strong enough to ensure surpluses at the next actuarial valuation of pension funds, even though companies are currently not making contributions to the scheme.

That is the result of the massive growth that has taken place in the size of pension funds. In 1980, a sample of the 30 largest schemes showed that fund values averaged 2.5 times the company's payroll. By 1986 they averaged four times and might reach five.

The growth has a significant gearing effect. With buoyant conditions, this gearing magnifies the amount of surplus emerging from pension schemes – hence Mr Ross can predict continuing surpluses. But he was far less confident about the long-term.

He warned delegates that a repeat of conditions in the mid-1970s could easily result in surpluses being replaced by deficits, even using the discounted dividend growth value. But because of this gearing, the size of the deficits would be magnified. Mr Ross predicted levels of at least 50 per cent of payroll – a level that would require a doubling of the normal employer contribution rate to eliminate.

Labour boosts attack on 'uncaring' Tories

BY OUR POLITICAL CORRESPONDENT

LABOUR PARTY leaders, encouraged by signs of increasing popular support, yesterday stepped up attempts to portray the Government as uncaring and authoritarian and to show that Mrs Thatcher has lost political credibility.

Buoyed by a weekend Mori poll that puts Labour only 2 percentage points behind the Conservatives, and by indications that the party may do better than expected in Thursday's local elections, party spokesmen mounted a co-ordinated campaign to highlight the Government's recent problems.

In spite of the recent social security concessions and the completion of the Commons stages of the Local Government Finance Bill – which includes proposals for a community charge, or poll tax – ministers are prepared for further political turbulence during the summer.

Government sources yesterday denied reports that, after the bill's stormy passage through the Commons, Mrs Thatcher will this week attempt to head off a community charge rebellion in the Lords by addressing a special meeting of Tory peers.

A meeting at some stage is not being ruled out, however. If it takes place, Mrs Thatcher will emphasise to peers that the legislation was contained in the party manifesto at the last election and that it has been fully debated in the Commons.

There are expectations that, as in the Commons, attempts might be made to alter the bill to ensure that it takes more account of people's ability to pay. Yesterday Lord Chelwood, a Tory peer, said he believed the proposals would meet widespread hostility in the Lords.

Mr Gerald Kaufman, the shadow Foreign Secretary, led yesterday's Labour attack and suggested that recent events might signal a turning point in the political history of the 1980s.

Mr Kaufman, addressing a May Day rally in South Wales, said Mrs Thatcher's credibility had taken "an unprecedented beating" while Labour's had been enhanced by its attacks on the poll tax and social security changes and by its defence of the National Health Service.

Mr Bryan Gould, Labour's trade and industry spokesman, said at the weekend that Mrs Thatcher's "image of unshakeable resolution" had disappeared in the wake of the Government's recent policy changes. In another speech yesterday, he said the Government had "made greed its moral code" and offered a future in which Britain would be "a brutal and selfish society."

The Mori poll for Times Newspapers said the Conservatives had 44 per cent support nationally. Labour is on 42 per cent, with 6 per cent for the Democrats and 5 per cent for the Social Democratic Party. The poll indicates a 1.5 per cent swing to Labour since the same local council seats were last contested in 1984.

Local elections, Page 7

Council link to develop Manchester

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER City Council and Manchester Ship Canal Co (MSCC) are to form a property development company to operate miles from the canal, mainly in the city's economically lagging eastern suburbs.

Profits will help to buy the council out of its statutory right to a majority on MSCC's board. That will enable MSCC to control all its own borrowings and to proceed unfettered with other developments.

Those include an out-of-town retail centre awaiting government approval, which would have involved councillors in a clash of political and shareholders interests.

The canal was acquired last year by Mr John Whittaker, the property developer who chairs Peel Holdings, after an eight-month takeover battle.

He used Highams, a wholly-owned private industrial textiles company, to buy a majority of preference shares which carried the same voting rights as the equal numbers of more expensive ordinary shares. Most of the latter remain with institutions and thousands of small shareholders.

Mr Whittaker recently sold Highams after transferring its MSCC shares to Greathey Developments, another private company he owns.

The council and MSCC have announced their intention to end the council's board majority but have had difficulty in working out how to do so.

The majority arises from the city helping MSCC out of financial difficulty in 1904 and 1950.

MSCC owes Manchester £7m. Mr Whittaker says that can be repaid quickly. However, the city's Labour leaders asked for £10m to surrender board power.

The vehicle to make the other £3m is the new property company, to be called Manchester Ship Canal Developments.

The city will own 49 per cent and will sell it land on which to build. The company need not pay for any land until eight years after each conveyance. Outstanding sums will be interest-free.

Land developed by the company will be retained by it, except where housing has been built for sale.

If the company's net assets are less than £6m after three years, Greathey will put in cash to make up value. The city's entitlement to that would then be half.

The deal includes the city helping to get a harbour revision order through Parliament so legal changes can be made to MSCC's constitution to allow a new board structure.

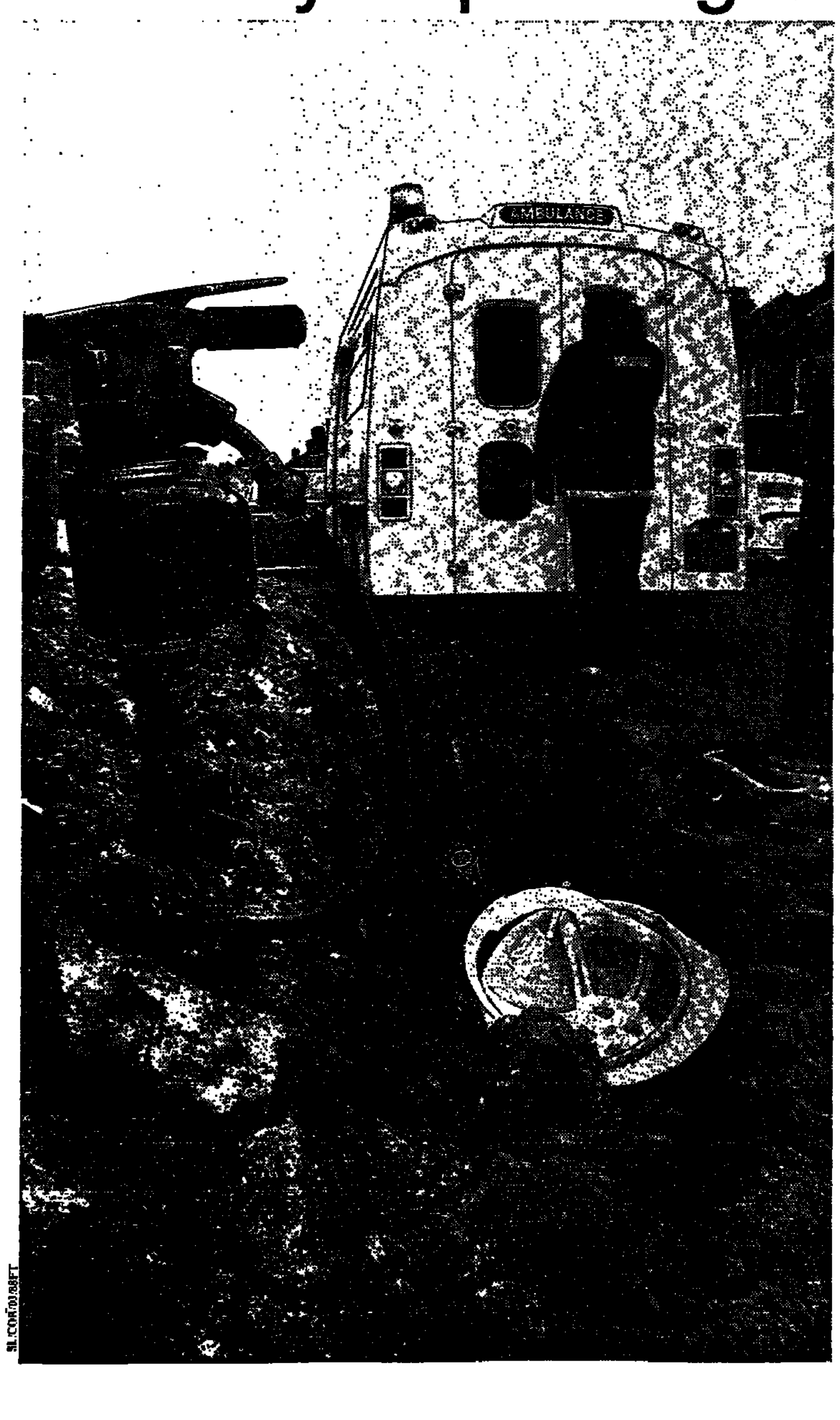
Mr Whittaker will keep the canal's disused upper reaches open for navigation and fulfil all drainage obligations. The canal is main drainage channel for 1,000 miles of streams and minor rivers comprising most of the Mersey basin.

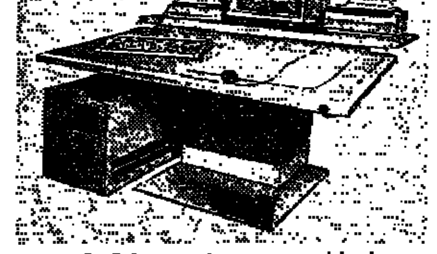
Mr Graham Stringer, council leader, believes that keeping the upper reaches open, for pleasure craft at least, will help to regenerate Manchester.

The issue helped to win Labour over. It was something the canal's previous management was loth to do. A mutually acceptable city council nominee will be an MSCC director.

This will set up an interlinking directorship with the new property company, the board of which must be unanimous on decisions worth more than £100,000.

The last issue seems to be the scale of management fees paid to MSCC for all successful projects by the property company. City officials call this rather high and will ask independent consultants to assess reasonableness.

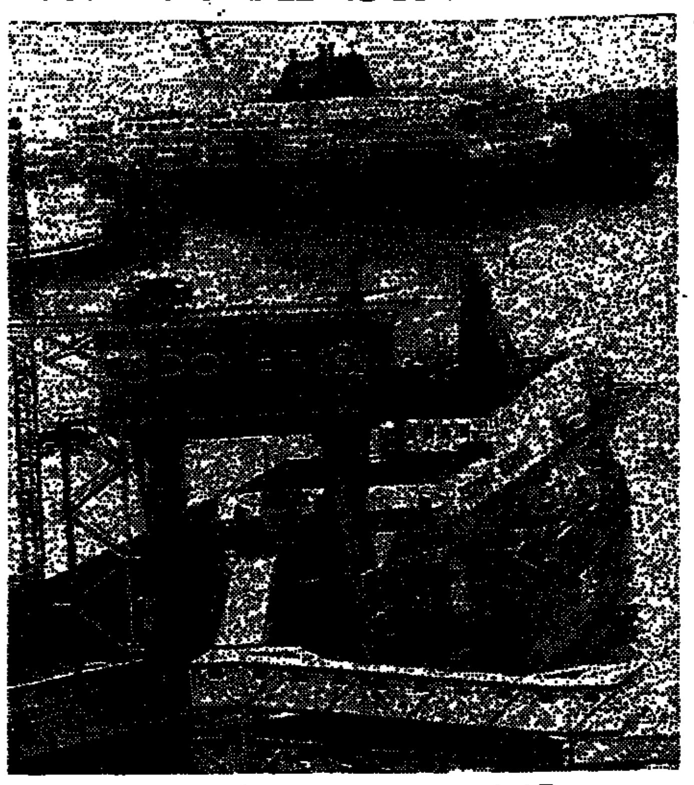




UK NEWS — EMPLOYMENT

Kevin Brown looks at European Ferries' fight for profits

High stakes in battle at Dover



In troubled waters: The Pride of Kent at Dover

THE INCREASINGLY bitter battle between Peninsular and Oriental Steam Navigation and the National Union of Seamen over ferry crewing at Dover hides a huge gulf in the relative importance of *the dispute to the two sides.*

For the NUS, battered by a sharp fall in its deep-sea membership and negotiating a possible merger with the National Union of Railwaymen, the loss of negotiating rights with one of the UK's two large ferry operators would be a mortal blow.

For P&O, the struggle with the NUS is a vital test of whether its European Ferries subsidiary can match the profitability of the group's other interests in shipping, construction and services.

At the same time, however, European Ferries is small in the context of the group's overall *financial strength; at £13.5m it* accounted for only 4.7 per cent of last year's pre-tax profit of £282m.

The dispute has so far cost *P&O less than £5m in lost reve*nue and considerably less in lost profits, because of the huge savings made on wages. The cost has to be set against potential cost-savings of £6m a year which will feed straight through to the bottom line.

On the other hand, senior managers are adamant that they did not enter negotiations with the intention of breaking the NUS. There is anger over the refusal of the union to come to terms with what P&O views as stark reality.

None the less, the company seems to have given up all hope of a rapprochement with the NUS and placed its hopes on a success*ful resumption of services from* Dover to Calais, Boulogne and Zeebrugge.

However, the short-term gamble has to be seen in the light of the serious problems identified by P&O when it took over European Ferries just before the Herald of Free Enterprise accident.

Senior managers say the company turned out to be in a far worse state than had appeared during the takeover negotiations. P&O has attacked the root of these problems by replacing most of Euroferries' former managers, closing the headquarters and pushing through cuts in the shoreside workforce.

Seen in this context, the dispute with the NUS is simply the *extension of a management phi*losophy already applied to the rest of the company.

Externally, there are three problems on the horizon. The first, and least serious, is the European Community's proposals to extend Value Added Tax to ferry fares, which British shipowners say could raise prices by up to 9 per cent.

Second, the community also proposes to phase out duty-free sales as part of the process of completing the internal common market. The GCBS says this could add 25 per cent to fares.

The real challenge facing P&O, however, is the proposed Channel Tunnel, already under construction and expected to open in 1993.

Eurotunnel, the Anglo-French consortium which will operate the tunnel, has based its costings on a passenger tariff set 5 per cent in real terms below the 1986 level of ferry fares.

Eurotunnel maintains that ferry tariffs have already risen by 8 per cent over the 1986 base, implying that they would have to fall by just over 12 per cent over the next five years to be competitive when the tunnel opens.

P&O's problem *is that it cannot* reduce tariffs on this scale *and* finance its future requirements for new tonnage without a big reduction in costs. This is because the present return on capital employed in the business — around £150m — is only 9 per cent, a level the company says is insufficient even to pay for refurbishment of existing ships.

The revised crewing arrangements for seamen, together with the earlier savings on shore, will generate total extra profits of around £10m, *some 15 per cent of* capital employed, based on last year's results.

Also, they will maximise the competitive advantages of P&O European Ferries' two biggest ships, which are capable of operating with unit costs up to 40 per cent less than older tonnage, leaving room for tariff cuts in a battle with Eurotunnel.

P&O appears to have a choice between fighting Eurotunnel alone or in alliance with Sealink. An alliance with the other large ferry operator would remove one element of the competition on the Channel, but it would also require permission from the *Office of Fair Trading*, which has so far indicated that it would be unwilling to accede.

There is a third *option*, which *is for P&O to join forces with* Eurotunnel, either through an equity stake or an operating *agreement*, and run what would amount to a joint service.

The rationale for this is that P&O has skills in areas where Eurotunnel will have no experience, such as ticketing, loading and scheduling.

For the moment, the company's long-term strategy is built on the belief that, whatever happens about the tunnel, European Ferries will be in a stronger position to fight *or negotiate* with five years of healthy earnings behind it.

CEGB plans power sharing transition

BY MAURICE SAMUELSON

DRAFT proposals on dividing the 78 power stations of England and Wales between two rival companies should be ready in the next two or three *months as part of the prepara*tions for privatising the electricity industry.

And from early next year, the Central Electricity Generating Board management may start rehearsing for the day when the split comes into effect two or three years later.

Mr John Baker, the CEGB's corporate managing director, who disclosed the plans, said they demonstrated the Board's eagerness to expedite the privatisation programme *smoothly, although some of its* views had been rejected by the Government.

The Government, contrary to the CEGB's advice, will transfer the national grid to a company owned by the 12 area distribution boards. In the division of its generating capacity, some 70 per cent, including all the nuclear plant, will be assigned to one company, Big G, and the remainder to Little G.

Mr Baker also said the CEGB would seek planning permission for its existing investment programme, and would bring forward plans for "at least one more" PWR station and a coal station this year.

Mr Baker, who is expected to become chief executive of one of the generating companies, added that although "a first cut" in the CEGB's generating assets was easy to work out, it could not be finalised until the privatisation legislation was enacted.

This legislation, which would require the electricity industry to draw up a scheme for dividing its assets, was unlikely to become law before the autumn of 1989.

In order to "sensitise" the CEGB's management, he said the two packages of assets should be identified well before the vesting date "and it would be wise to run the whole system for at least a year on the new basis."

Spelling out the criteria for splitting up the CEGB's coal and oil-fired power stations, he said the two generating companies should have equal access to indigenous and imported fuel, a fair mix of oil and gas turbine plant, similar *manpower characteristics and* plant with technical compatibility.

Setting standards for mobile phones

BY TERRY DODSWORTH

SEVEN BRITISH companies aiming to establish a world lead in a new generation of cordless telephone technology have reached preliminary agreement on a crash programme to standardise their products.

The deal follows recent announcements by two of the *companies, the Ferranti electron*ics group and British Telecom, which are planning to set up mobile telephone services using digital cordless phone handsets.

If these projects go smoothly, the two new services, which would allow customers to make calls from certain locations using their own portable telephones, should be in operation within the next eight months.

Some telecommunications industry executives believe that digital cordless phone technology could have a greater market potential than cellular car telephone systems, which have had runaway success in Britain since their launch three years ago.

The cordless equipment will be more limited than cellular because callers will have to go to specific points to pick up a radio link into the public telephone system. They will not be able to *receive calls either. Nevertheless,* the service will be much cheaper than cellular phones, and customers will be able to carry their own portable phonesets.

In talks led by the Department of Trade and Industry, the seven UK companies decided to develop standard systems within the next 18 months. These will involve compromises by all the companies, but a set of guidelines is expected to be established over the next two months.

The companies in the discussions are a mixture of service operators — Ferranti, British Telecom and Mercury — and equipment providers — Ferranti; Shea; the GPT group formed by Plessey and General Electric Company; and STC, which will make a handset largely developed by BT.

The talks have been held against a background of increasing anxiety that variations in the transmission standards on the equipment could prejudice the launch. Officials are worried that different systems could undermine quality when it is important to establish a strong marketing image.

The Government has emphasised to the UK industry that it could lose its chance to establish *a strong postion* in export markets if it does not have a standard technology to sell.

Thomas Cook tries out 'smart card' for travel

BY ALAN CANE

TRAVELLERS' cheques and travel documentation in paper form might be redundant within three years if an experiment at Thomas Cook, the Midland Bank travel subsidiary, is successful.

It is carrying out trials to see whether "smart cards", credit-card-sized pieces of plastic containing an entire computer, can take the place of much of the documentation, including travellers' cheques, itineraries, airline tickets and boarding cards.

The advantages would include an end to the costly and labour-intensive clearing of cheques and credit cards and greater protection against lost, stolen or fraudulent travellers' cheques.

The scheme, which is in its earliest stages, will be aimed primarily at the business travel market. The smart card was developed in France in the 1970s as an electronic cheque book, but is only now beginning to be accepted by the world's financial institutions.

The Thomas Cook experiments will use a new and sophisticated version, the Ulticard, developed by SmartCard International of New York. It is essentially a pocket personal computer, with a tiny screen and keyboard.

Thomas Cook envisages companies buying Ulticards for their executives ready charged with electronic funds. During their travels they would use the card to draw cash at Thomas Cook outlets or from other participating financial services companies. The traveller would have to key in a secret identity number to use the card, ensuring a high level of security.

Because information can be both entered into or read from the card, it could be used as an electronic accounts book to keep a note of expenses and hotel bills. Back in the office, the traveller would insert the card in a special reader to obtain a print-out of travelling expenses.

Smart cards will be expensive, however, at between $10 and $12. To improve their acceptability, Thomas Cook envisages loading the card with useful travel-related information such as train and flight timetables, medical advice and sightseeing guides.

The Visa organisation is already experimenting with a smart card developed by Toshiba of Japan as a credit card. In the US, smart cards are being used increasingly as electronic "keys" to secure premises and store personal and medical records.

Shoe shop report suggests 1,000 outlets should close

BY MAGGIE URRY

THERE ARE far too many shoe shops for the UK market to support, says a report on the industry.

It would take the closure of 1,000 of the 11,500 shoe shops in Britain to leave the rest with an acceptable level of business, according to Verdict, the retail consultant.

Footwear retailing has shown sluggish growth in recent years in spite of buoyant demand in other retail sectors. The report suggests that there has been a lack of product innovation.

There are some success stories, however. Marks and Spencer took a more determined approach to footwear in 1980 and has built a market share of about 5.6 per cent, the third largest in the UK. Next's introduction of shoe departments in 1984 has brought it a 1 per cent market share from high street operations alone.

Verdict also identifies a new mood of realism in footwear retailing. Whereas many shoe shop chains had been regarded primarily as outlets for their owners' manufacturing capacity, there is now an emphasis on marketing.

British Shoe Corporation, part of Sears, the dominant retailer with about 22.8 per cent of the market, has launched a market-led strategy. It now takes only 14 per cent of sales from its own factories.

The economics of shoe shops has worsened during the 1980s. Prices have risen by only 10 per cent while costs have risen by well over 50 per cent.

Rising imports of shoes have kept prices down. In 1970, imports took 28 per cent of the market compared with nearly 60 per cent last year.

Verdict on Footwear Retailers. Verdict Research, 112 High Holborn, London WC1V 6JS. £450.

Drop seen in store shares

BY MAGGIE URRY

STORES' shares will fall 10 per cent relative to the stock market over the next year, brokers predict in a report on the sector published today.

CL-Alexanders Laing & Cruickshank argues that a slowing of consumer spending growth and the switch of expenditure from retail sales to holidays, eating out and housing are adverse trends for stores groups.

Meanwhile, stores are becoming more competitive, many having big expansion programmes. Low inflation of retail prices also means that stores' turnover gains are lagging behind rises in costs, squeezing profit margins.

Trials of a company that never closed

By Richard Waters

ON THE FACE OF IT there seems little in common between the author Mark Twain and Mr Peter Williams, the managing director of Omega Electric, a small Gloucestershire-based electrical engineering concern.

Mr Williams, though, has experienced a famous Twain complaint: reports of his death have been greatly exaggerated, or, to be precise, reports of the death of his company. He has, however, no legal redress for the mistake.

Mr Williams's brush with one of the international giants of the credit rating and information industry, Dun & Bradstreet, has left him convinced that companies such as his can do little if mistaken information is given about them.

The trouble began last May, when D&B reported that Omega was the subject of a compulsory winding-up petition. It was not: the subject of the petition was in fact the similarly named Omega Electrical.

The mistake only came to light earlier this year, when a client of D&B noticed the error and broke a confidentiality agreement with the agency to inform Omega.

"We have corrected the mistake and published an apology. We have gone back to them through our solicitors and made them a reasonable offer," said Mr Ray Fox, company secretary of D&B. The two sides have failed to agree on the offer.

Another agency, Infolink, made the same error as D&B and also apologised to Omega. But Mr Williams feels aggrieved that the error may never have come to light, and that he has no legal case against either agency.

According to D&B's lawyers, Oswald Hickson Collier, D&B denied liability on the ground that "matter referring to a subject's financial standing, if published by a credit agency in good faith in the course of its business, attracts qualified privilege." Such privilege is based on the "reciprocity of interest between the parties communicating and receiving the information concerned," said the solicitors.

Counsel's opinion obtained by Omega confirmed that it had no case, said Mr Williams.

D&B emphasised that it checks all publicly available information with the companies concerned and takes every care to avoid errors. It failed to contact Omega about its report because it believed the company had been wound up, Mr Fox said.

"We are not indifferent to companies. If we have done something wrong, we will correct it," Mr Fox said. He added that all companies could obtain copies of reports prepared on them by the agency.

NEDC to probe packaging trade deficit

BY MAGGIE URRY

THE NATIONAL Economic Development Council has set up a working party to investigate the UK packaging industry's large trade deficit.

In 1986, the latest year for which figures are available, exports of packaging from the UK totalled £1bn against £1.8bn of imports.

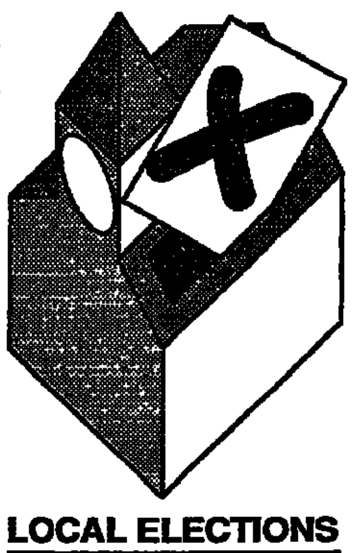
The working party is chaired by Mrs Rowena Mills, a leading consultant to the packaging industry. She said: "Our prime task is to initiate action to improve the international trade performance of the UK packaging industry."

The industry produces about £5.5bn of packaging a year, and grew by 20 per cent between 1982 and 1986. However, the share of the market taken by imports has grown over the same period. In 1986, imports represented nearly a quarter of apparent consumption.

Import penetration is more than 50 per cent in the packaging board and fluting and lining paper categories. Exports exceed imports by a significant amount in only two sectors – metal cans and closures.

Peter Riddell looks at the political struggles behind this week's city council elections

Oxford weighs up its balance of power



LOCAL ELECTIONS

OXFORD CITY Council has increased its rates this year by 88 per cent. Yet there is no ratepayers' revolt, no stirring in the streets – and no one expects any dramatic changes in the balance of the council after this Thursday's elections. Labour Party members will remain firmly in control, as they have for the whole of this decade.

The explanation for this apparent paradox is that the city council accounts for only about a tenth of the total rates bill of Oxford residents. The other 90 per cent goes to the county council, which has increased its rates by 9 per cent.

In cash terms the city and county increases are roughly the same, leaving an overall percentage rise of 18 per cent, with little evidence that many voters look at how the bill is constructed.

Over the years, the role of the city council has been steadily eroded, especially as a result of the tightening squeeze by central government since 1979. As a district authority in a shire county, Oxford's main spending is on housing, recreational facilities and certain social functions.

This year the city has lost its remaining £3m in Whitehall grant – creating a need for a big rates rise in view of the city's sizable housing programme, low rents and past decisions to hold down rates (with no increase for three years and a 9 per cent rise last year).

Meanwhile Oxford, like an increasing number of authorities, is looking to the European Community for small-scale help on some projects, expecting an early announcement on social fund support for a women's training centre.

That illustrates growing frustration even among traditionally moderate authorities.

Mrs Barbara Gatehouse, the mainstream leader of the council, takes pride in the construction of 1,100 houses since Labour took control eight years ago.

However, with a waiting list still at more than 3,000, she complains that the Government is severely restricting further work by halting a joint project with a housing trust that would cost the city nothing.

Mrs Gatehouse is particularly worried about the housing bill currently going through Parliament which will enable tenants to opt out of local authority control and which is already causing uncertainty.

She admits that if tenants do decide to opt on any scale for private landlords, then the role of the council will be even further eroded.

The Government, of course, believes that local authorities should no longer be large-scale housing developers or managers.

With the education reform bill undermining the role of county authorities in running schools, a two-tier structure of local government looks increasingly redundant, reviving the case for county boroughs in places like Oxford.

After last May's elections, Labour had 29 seats on the council to 11 for the Tories and five for the Democrats. The third of the seats up for election on Thursday were last fought in the good Labour year of 1984, so the party will do well to make gains.

The Tories admit that the Government's recent problems have begun to be reflected on doorsteps. However, one experienced canvasser said it was a matter of niggles and anxiety rather than the outright hostility of 1985 and 1986.

The nurses' pay award went down well, say the Tories, but there have been complaints about the social security changes, especially by pensioners. Labour is also emphasising the cuts in housing benefit, which have had a big effect in a city like Oxford, which still has much private rented housing.

If the Tories do less well in Oxford and nationally than the opinion polls suggested until a few weeks ago, the other main battle will be between the Democrats and the continuing SDP led by Dr David Owen.

The vast majority of the large Oxford SDP – all its councillors and most of its activists – moved over to the merged party.

The Democrats are fighting all but one of the 15 wards and the continuing SDP only four – a suggested electoral arrangement by the latter predictably having been rejected by the former. The SDP portrays itself as a "constructive" force in contrast to the "destructive" Democrats.

According to local SDP party secretary, Ms Katherine MacLarnon, the party's main objective is to show it is still in business, accepting that it is unlikely to win seats. There has been a certain amount of activity – fund-raising, distributing leaflets and canvassing – to fulfill that aim, but the Democrats hold most of the cards.

What Ms MacLarnon describes as "a band of happy optimists" looks a pretty marginal group at present in Oxford – depending largely on Dr Owen for its appeal. It is going to be hard work to maintain the self-styled independent force without some local advances.

However, perhaps the most striking impression is how, in spite of Tory successes in the 1960s and 1970s, all parties accept that Labour will remain in control of the city council for the foreseeable future – and none of the other parties really appears to care.

They know that the real power lies elsewhere – in Whitehall.

Drug companies 'will have to prove value for money'

BY DAVID FISHLOCK, SCIENCE EDITOR

DRUG COMPANIES may in future have to demonstrate their products' economic benefit to the health service as well as medicines' efficacy and safety, the pharmaceutical industry is warned in a report published today.

The Office of Health Economics, think-tank of the British drug industry, also says in the report that by the end of the century, evaluation of the effects of medicine on "quality of life" will be as common as today's use of controlled clinical trials.

By then, economic factors may be considered in assessing reimbursement under health insurance schemes, and even in deciding whether to permit the sale of a medicine, the report says.

It forecasts that economic analysis will be undertaken mainly by health care decision-makers.

"Hospital managers and pharmacists may wish to review the evidence on the cost and effectiveness of medicines in order to decide whether they should be included in their hospital formulary."

The report says clinicians may take more interest in economic factors "when incentives change in such a way as to encourage more efficient medical practice."

Present methods of economic analysis should be validated as fast as possible, the report urges.

Drug companies that remain ignorant of the techniques "are likely to find themselves at considerable disadvantage in the future when economic evaluations may be considered alongside clinical evaluations."

The report concludes that this mixture of clinical and economic evaluation of drugs is a "wise and rational approach."

It says that all concerned with the provision of health care must be prepared to accept more critical economic evaluation.

The study provides detailed examples of drugs' potential for cutting medical costs while improving quality of life. For instance, when an antibiotic is used to prevent post-operative infection, savings can be 60 times the cost of the medicine.

Economic evaluation in the development of medicines by Michael Drummond, George Teeling Smith and Nicholas Wells. Office of Health Economics, 12 Whitehall, London SW1 2DY. £5.

Justice and investigative journalism

JUSTINIAN

IT IS ABSURD in one sense to portray Thames Television's programme on the Gibraltar killings as trial by television. The programme was no different from much investigative journalism which keeps the public informed about current affairs.

Reporting, whether in print or by the television camera, in advance of any court proceedings will reveal some evidence which is unsworn, has not been confronted and goes unchallenged. One might consider that no different from someone privately sending a note to a friend commenting about a case. Such a programme is necessarily partial in content and hence partisan.

The trouble is that politicians overreact to revelations about public affairs of a sensitive nature, the more readily because they perceive broadcasters (especially television producers) as mere entertainers. That is a puzzling view in the light of almost all news and current affairs programmes on radio and television.

What is at issue in Thames Television's Death on the Rock documentary is a matter both of space and time. No one doubts that the programme did not violate any canon of law. What government sources sought was a postponement, rather than a ban, arguing that the partisan nature of the documentary might prejudice the forthcoming coroner's inquest in Gibraltar.

The issue was with what legal power the programme could be halted. The law in England was powerless to prohibit the relay of the programme to Gibraltar, outside the jurisdiction of the English courts.

However, the law does not seem to have been powerless in Gibraltar to keep the offending material from the eyes of potential inquest jurors.

The Supreme Court of Gibraltar barred reporting on the subject by all media there after the satellite transmission of Death on the Rock. Presumably under the laws of Gibraltar the programme constituted contempt of court. Belatedly that law was brought into action.

However, short of contempt of court, which restrains media publication pending legal proceedings, there is no law that generally restricts reporting by any media.

The issue, therefore, is whether admittedly partial and partisan reporting does potentially prejudice a fair trial. One says "trial" because it is only when some party to the proceedings is in jeopardy of losing some right or interest, be it an accused's liberty or the public's right to prosecute to conviction without improper influence, that the law intervenes in the freedom to publish.

The task of a coroner's inquest is to determine the cause of death and not to affix criminal or civil responsibility to any particular person or organisation.

A coroner's verdict may point to someone in threat of prosecution or civil suit. In that sense, protection may be afforded, and this is acknowledged by coroners allowing such potential defendants to be legally represented at the inquest.

Assuming, for the purposes of debate, that the IRA terrorists' killings had taken place in Greenwich instead of Gibraltar, should and would the courts then have responded favourably to the Attorney General's request for an injunction against Thames Television?

Would a coroner's jury not have been able to perform its task with impartiality, as a result of the television programme, even though at the time of transmission no one would have known who was to serve on the jury?

Further, would each person selected to serve prove able to recall the programme's contents – that is, if he or she saw it in the first place?

Assuming that one or more persons on a coroner's jury did see the programme and could also recall broadly what witnesses had said on it, what then could one make of the disadvantage of a lack of cross-examination and correlation with other testimony?

It is normal practice for the coroner to direct the jury to ignore whatever it may have heard or read outside the coroner's court and to stick strictly to inquest evidence. Does it not suffice to separate admissible evidence from inadmissible stories in this way?

The key question is not whether a free press is inherently inconsistent with a fair trial system, but rather whether media coverage of crime and other events that come to court prejudices juries. Whether the nature of the media should be changed is not in question.

Distinctions are made by the law between the written word and television, but the basic rule of restriction should be the same. The only question is whether the media should be restricted on grounds that its communications will undermine the quality of justice.

It is argued that media coverage creates prejudice and thus jeopardises the right to trial before an impartial tribunal in the following ways:

● When coverage includes specific items of news that either do not make their way into evidence at the trial or which come to the attention of jurors before trial, unchallenged and unexamined;

● When the amount, immediacy and intensity of media coverage becomes so significant and partisan that the community is saturated to the point where a fair, detached adjudication is affected. Justice Holmes of the US Supreme Court described the effect as when "the whole proceeding is a mask – counsel, jury and judge are swept to the fatal end by an irresistible wave of public passion."

In such a case it is fruitless to talk about jury prejudice; it is trial by mob. The mob will have taken its cue from television, no doubt, but from much else besides. Death on the Rock hardly falls within such a description.

The situation in which particular points do not surface as evidence or are drawn to the attention of jurors before the inquest is much more common. It involves such things as pre-trial confessions, identifications by witnesses at identity parades conducted by the police, and revelations outside a jury's presence of previous convictions of an accused. These matters may never be heard by the jury because of the strict rules of evidence.

The coroner's inquest is an inquiry to search for facts disclosing the cause of death. Jury trial on the other hand is only a semblance of truth, the prosecution being required to prove its case against the defendant "beyond a reasonable doubt" – a very different exercise.

The rules of evidence, articulated and developed through years of practice, govern what may be presented for the jury's consideration.

Most of them make sense; some seem illogical. All of them combine to select and funnel the information permissible for the jury to consider.

The truth is that we do not know how, if at all, pre-trial publicity affects the minds of judges and juries. We proceed as best we can without an answer.

Our assumptions are that publications do influence jurors to some unknown extent. The extent is probably less than the amount ascribed by those who hold that publication is automatically prejudicial – and probably more than the nil effect proclaimed by an impassioned media man.

Whitehall tea ladies pour their final cuppas

By Ralph Atkins

WITH MUCH dignity and little fuss, a great British institution has come to an end. Mrs Char, the Civil Service tea lady, is officially dead.

A short statement from the Government last week confirmed rumours that this grand lady had finally passed away. Nobody has been around long enough to remember how old she was.

Mrs Char's death notice came in a parliamentary written answer in Hansard, the official record of the House of Commons.

It read simply: "The Civil Service does not employ tea ladies. Refreshment machines are provided where these are cost-effective and where funds permit."

Her demise would have come as little surprise to most civil servants. Her metal trolley with squeaky wheels, leaking tea urn and wrinkled sandwiches has long been absent from many a corridor of power.

An official at the Treasury, the department responsible for civil service pay, said he found it hard to remember when he had last seen a tea lady.

"Tea and coffee are served only twice a day, once in the morning and once in the afternoon, so what would they do for the rest of the time?" he asked.

The source of these government disclosures are questions put by Mr Barry Field, Tory MP for the Isle of Wight.

His motive is not clear. Has he seen the ghost of Mrs Char trundling her trolley along the corridors of state? Or did he just want to get his name in the paper?

Industry 'failing to make most of' Star Wars deals

BY PETER MARSH

INDUSTRY HAD failed to make the most of chances to participate in the US Strategic Defence Initiative, Star Wars, said the UK official in charge of the UK's role in the project.

He is Dr Stanley Orman, director general of the SDI Participation Office at the Ministry of Defence.

Dr Orman said only a few UK companies had shown the determination and expertise required to win contracts in the programme.

The programme is being managed by the US Defence Department.

"Overall, we are letting ourselves down," he said.

UK companies and government bodies have won $61m(£32.5m) worth of Star Wars contracts since formal collaboration with the US in the project started in December 1985, in contrast to the $10bn handed to US contractors.

The programme is exploring ideas for establishing a ground and space-based defensive system to shield the West from missile attack.

When collaboration was announced it was hoped UK groups would win contracts worth hundreds of millions of pounds over the life of the project, which is due to continue into the early-1990s.

Under a US-UK government deal, British companies can bid on all but the most secret contracts associated with Star Wars, spending on which is running at about $4bn a year.

Dr Orman has a staff of 25 who help to arrange contacts with the Pentagon and US companies working on the programme.

About a quarter of the $61m awarded to UK organisations has gone to Ferranti, which has most of these SDI contracts.

Dr Orman said Ferranti had learnt lessons about the potential for UK participation in the programme and had progressed.

Many other UK companies had not shown the same purposeful attitudes.

He said relatively few other UK organisations had done well.

They included Plessey, Short Brothers, the UK Atomic Energy Authority's Culham Laboratory and Advanced Systems Architecture, a small software company.

He said a difficulty for Britain had been the need to change the US Defence Department's in-built inclination not to award significant contracts to non-US companies.

Another impediment had been cuts in the proposed Star Wars budget, instituted by Congress. That reduced the Defence Department's scope for handing contracts to overseas concerns, said Dr Orman.

The value of UK SDI work has about doubled in the past year but is still well below the $100m figure Dr Orman had set his sights on attaining by the end of last year.

The UK share of total Star Wars contracts may seem meagre but appears to be significantly more than that gained by other countries also collaborating with the US on the programme.

West German companies and government groups have been the second most successful in gaining Star Wars contracts, with work valued at $48m, according to Defence Ministry figures.

Work worth about $15m has been given to Israeli groups, about $7m to Italy and $3m to France.

Japan, also formally involved in the programme, has yet to receive any contracts, according to the ministry's figures.

EC plan for alcohol tax criticised

By Lisa Wood

BRITAIN'S main spirits producers are urging the Government to reject European Commission proposals for harmonisation of excise duties on alcoholic drinks.

A report commissioned by the Scotch Whisky Association and sent to the Government today said that if the proposals were accepted in their present form they would entrench "massive tax discrimination" against spirits, including Scotch whisky, in favour of beer and wine.

Spirits, including Scotch, would be taxed in the EC eight times as heavily as wine and four times as heavily as beer on a degree of alcohol basis.

The recommendation, said the report, was based on existing excise duty rates and structures evolved through political and agricultural pressures aimed at protecting national domestic production against competition from imported alcoholic drinks.

Throughout the EC, beer and wine are the dominant national drinks with the share of spirits, in absolute alcohol terms, varying from 10 per cent of the Italian market to 26 per cent of the Spanish market.

Member states tend to consume the products of which they are the largest producers and, alleges the SWA, use tax discrimination to protect domestic producers.

The report said: "For example, the discriminatory use of excise duty is a major factor in encouraging wine consumption in France and Italy and beer consumption in the UK and West Germany."

In the UK, for example, beer and wine excise duty is based on the volume of liquid while that on spirits is per degree of alcohol, which has brought protest from the SWA for some years. The UK, however, is the largest spirits producer in the Community.

The Spirit of Harmonisation? A Report prepared for the Scotch Whisky Association by Pieda, 10 Chester Street, Edinburgh, EH3 7RA.

Lloyds forecasts business investment growth of 9%

BY SIMON HOLBERTON

THE OUTLOOK for growth of investment by British companies is particularly favourable this year although it may well slow in 1989, Lloyds Bank says in its latest economic bulletin.

The bank endorses the Treasury's forecast of a 9 per cent rise in business investment this year. It finds plausible the Treasury's forecast of a 6½ per cent increase in total investment, including an 11½ per cent rise in manufacturing investment.

Investment in the UK during the 1980s has been sluggish, the bank says. Investment in agriculture and the North Sea has declined over the decade and it is only in distribution, financial and other services together with selected areas of manufacturing that investment has been buoyant.

A number of factors have, however, come together which makes the outlook for this year, at least, much better than in the past.

There has been a rise in the rate of return on capital employed, which, at about 11 per cent, it is at its highest level since the late 1960s. Also many companies have high levels of cash – in total about £54bn – and real interest rates have fallen.

This lower level of real interest rates is a factor in promoting investment "since it will encourage firms to switch their short-term financial assets into higher yielding ones," Lloyds says.

The bank says that higher levels of investment are partly responsible for Britain's widening balance-of-payments deficit. In 1987 the deficit on trade in capital goods widened from £663m to £749m.

"However, to the extent that foreign capital goods will make British industry more efficient, this element of the trade deficit will contribute in the long term to a stronger balance of payments position."

Looking ahead, Lloyds says there is little evidence that British industry shares the bearish view of its own prospects which is common in the City. This view holds that business will be squeezed by the stronger pound and that investment may be curtailed.

Nevertheless, Lloyds says the rate of growth of investment may moderate next year.

● Interest rates may have to be pushed up to 10 per cent to keep monetary and wage pressures in check, County NatWest, the investment banking arm of National Westminster Bank, said yesterday.

County says that current growth in the money supply and trends in pay settlements point to inflation of about 6 per cent – more than 2 percentage points higher than the present rate.

FT LAW REPORTS

Tin claims are struck out

JH RAYNER (MINCING LANE) LTD v DEPARTMENT OF TRADE AND INDUSTRY AND OTHERS; AMALGAMATED METAL TRADING LTD AND OTHERS v DTI AND OTHERS; ARBUTHNOT LATHAM BANK LTD AND OTHERS v DTI AND OTHERS; MACLAINE WATSON AND CO LTD v DTI. Court of Appeal (Lord Justice Kerr, Lord Justice Nourse and Lord Justice Ralph Gibson): April 27 1988.

THE INTERNATIONAL Tin Council is a legal entity distinct from its members and they therefore cannot be made liable for its debts. Nor can they be made concurrently or secondarily liable as quasi-partners in a "mixed entity" in the absence of provision to that effect in the constituent treaty or international law, in that there is no such concept in English law.

The Court of Appeal so held, Lord Justice Nourse dissenting, when dismissing appeals by the plaintiffs, 11 brokers and six banks, from judgments by which Mr Justice Staughton and Mr Justice Millett struck out four actions against the 24 members of the International Tin Council (ITC) in respect of debts owed to the plaintiffs by the ITC on its collapse in 1985.

LORD JUSTICE KERR said that the primary issue was whether the ITC members could be held liable for its contractual debts. They sought to strike out the claims on the basis that they disclosed no reasonable cause of action, or on the basis of sovereign immunity.

The first three actions were struck out by Mr Justice Staughton and the fourth by Mr Justice Millett. The plaintiffs appealed.

The plaintiffs advanced three alternative submissions: A. that the ITC had no legal personality apart from its members; B. if it had legal personality, members were concurrently or secondarily liable for its debts; C. the ITC contracted as agent for its members.

The defendants said it was clear from the treaties creating the ITC and from the relevant Order in Council, that the ITC was a legal entity distinct from its members and had contracted in its own name.

An international organisation was a legal entity in international law in the sense of being a juridical person or having legal personality, and was created by treaty.

The first relevant treaty in the present case was the Sixth International Tin Agreement (ITA 6). Article 16 provided that the ITC "shall have legal personality." The treaty nowhere dealt with the possibility of a trading deficiency on termination. There was no assumption of liability by *members for ITC obligations.*

The second relevant treaty was the Headquarters Agreement 1972 made between the UK as host country and the ITC. Article 3 provided that the ITC "shall have legal personality."

The Order in Council designed to receive and deal with the ITC in UK domestic law was the International Tin Council (Immunities and Privileges) Order 1972. Paragraph 4 recognised the ITC as an international organisation, and paragraph 5 provided that the ITC "shall have the legal capacities of a body corporate."

That was consistent with UK legislative practice consequent *on treaties creating international* organisations. The treaties generally made it clear that the organisation should have "legal personality" or "full juridical personality," whereas the consequent Orders in Council invariably conferred "the legal capacities of a body corporate."

No international organisation was ever incorporated or given the status of a body corporate. The purpose and effect of UK legislation was to enable the international entity to function at the level of English law.

The wording of the 1972 Order distinguished throughout between the ITC and its members, as did ITA 6 and the Headquarters Agreement. Nowhere could references to the ITC be read as intended to include the members.

The defendants contended that interpretation of ITA 6 was "non-justiciable," in that the effect of treaties not incorporated into English domestic law could not be considered by the courts.

The doctrine of non-justiciability did not preclude the decision of justiciable issues which arose against the background of an unincorporated treaty. The court had a duty to inform itself as best it could about the juridical nature of the ITC in order to consider justiciable issues. It was required to consider ITA 6 and the Headquarters Agreement so far as necessary and to determine what were the relevant international law principles.

Submission A: Direct liability of member states

The plaintiffs submitted that the ITC was not a legal entity with legal personality distinct from its members. They said the members were an unincorporated association jointly and severally liable on contracts made in their trading or partnership name of "ITC."

The submission was untenable for the following reasons:

(1) It disregarded entirely that the ITC was a legal entity on the plane of international law. It ignored the consistent pattern of the treaties and UK legislation (of which the ITC's position was typical), providing for "legal personality" on the one hand and "the legal capacities of a body corporate" on the other.

There were obvious reasons for not incorporating international organisations. To have done so *would have subjected them to the* requirements of municipal laws which would be inconsistent with their international character. Also, the objective was not merely to enable the organisation to function within the framework of English law, but to recognise that members intended the organisation to have legal personality.

(2) It had become standard practice that international constituent instruments conferred legal personality on the organisation. When the treaty expressly provided that it should have "legal personality," the consequent Order must have been intended to recognise it as a legal entity for the purposes of UK law. If it had been thought that that form of legislation would not be sufficient for the purpose, some other formula would have been adopted.

(3) In *Nissan [1970] AC 179* Lord Pearce said *obiter* that "The United Nations. . . is a unique legal person or corporation." Legislation concerning the United Nations followed the same pattern as in the present case. The same reasoning applied to the ITC.

(4) Until 1977 before modification of the doctrine of absolute sovereign immunity, submission A would have meant that anyone dealing with the ITC would have had no enforceable contracts against anyone. It was highly unlikely that that was the legislative intention.

(5) Paragraph 6 of the Order provided that the ITC should have immunity from suit and legal process except in respect of the enforcement of arbitration awards. The paragraph only made sense if the ITC was a legal entity in its own right.

Submission A was rejected.

Submission B: concurrent or secondary liability

If the ITC had legal personality, it was submitted, it was analogous to that of a quasi-partnership or "mixed entity" in civil law systems, where the entity and its members were concurrently liable to creditors, or members were secondarily liable.

In the treaties and the 1972 Order there was no indication that actions might be brought against member states concurrently with the the ITC. There was no possibility of concurrent liability.

Nor was secondary liability established. English common law had not developed any concept similar to a Scottish partnership. Under the common law the interposition of a legal entity between an unincorporated group of persons and third parties contracting with the legal entity, meant that the group members had no liability for contracts made by the entity unless it acted as their agent.

The 1972 Order could not be construed as providing that the ITC and its members were in the same legal position as a Scottish partnership.

Secondary liability via international law also would not stand up.

The essence of the submission was that the constitution of a corporation and rights and obligations derived from it were governed by the system of law under which it was incorporated. For the ITC the constituent document was ITA 6 and the system of law was international. That led to the conclusion, it was argued, that the ITC was a "mixed entity" whose members were secondarily liable for its debts.

Three questions must be faced: (1) Could an English court consider ITA 6 and its interpretation in accordance with international law *to determine the legal nature* of the ITC? (2) If yes, was the legal nature of the ITC in international law that of a "mixed entity?" (3) If yes, did it follow that members submitted determination and enforcement of secondary liabilities to national courts?

Question (1) could be answered in th affirmative. Paragraph 4 of the 1972 Order recognised that the ITC was an international organisation; the ITC was a legal entity in international law; the Order deliberately stopped short of incorporating it; there was as great a presumption in favour of its having the character of a "mixed entity" in international law, as of a body corporate; it was therefore necessary to consider its constitution to determine whether it was a "mixed entity;" since that could only be done by considering ITA 6 and its effect in international law, resort to ITA 6 was permissible and necessary.

In so far as that analysis might conflict with the doctrine of non-justiciability, the doctrine must give way.

Taking questions (2) and (3) together, there was nothing in ITA 6 to support the suggestion that members should be liable for the ITC's unperformed contractual obligations. On the contrary such indications as there were pointed firmly in the opposite direction.

It was unlikely that the conclusion that ITC members had some direct liability could be extracted from general principles of international law. As yet there was no settled jurisprudence about this *aspect of international organisations.*

There was no other source from which the position in international law could be deduced with any confidence. On the available material the better view might be that the characteristics of an international organisation were those of a mixed entity, but it did not follow that parties to the ITA 6 had accepted any obligations within the framework of municipal laws and national courts.

There was no basis for concluding there was any rule of international law whereby ITC member states could be held liable in any national court to ITC creditors. Given that there was no such liability in English law, a conclusion by an English court that member states could be held liable for ITC debts would be tantamount to legislating on the plane of international law – an impossible concept.

Submission B was rejected.

Submission C: agency

None of the ITA 6 provisions suggested that in contracting in its own name the ITC was acting as agent for members as undisclosed principals. The relationship was not one of principal and agent, but of a contract of association or membership similar to that which arose on the formation of a company.

Submission C was rejected.

Sovereign immunity

Section 3 of the State Immunity Act 1978 provided that a state was not immune from the jurisdiction of UK courts in respect of "(1)proceedings relating to (a) a commercial transaction entered into by the state; or (b) an obligation of the state which by. . . contract. . .falls to be performed. . .in the UK."

Whenever the question of immunity under section 3 arose it must be decided as a *preliminary issue.*

It was conceded that if the plaintiffs succeeded on submission A, section 3(1)(a) applied – bank loans were commercial transactions. Concurrent or secondary liability under submission B, or as undisclosed principal under submission C would, on the facts, both come within subsection(b).

Accordingly, had the plaintiffs succeeded on any of their submissions, it would have been decided that none of the member states were immune from the court's jurisdiction.

The EC contended it was entitled to sovereign immunity analogous to that of foreign states under common law principles.

The contention was misconceived. Sovereign immunity should be accorded only in clear cases. The basis of immunity was *par in parem* – which meant that the acts of one state were not matters on which the courts of others would adjudicate. The existence of a *par in parem* relationship must depend on recognition of such a relationship. In the present case there had been no recognition of an immunity of the EC by anyone.

The appeals were dismissed.

Lord Justice Ralph Gibson gave a concurring judgment.

LORD JUSTICE NOURSE dissenting said that in ITA 6 the members did not, as they easily could have done expressly exclude or limit their liability for ITC obligations. The intention was that ITC members should be liable for its obligations. The ITC had separate personality in international law, but its members were nevertheless jointly and severally, directly and without limitation liable for its undischarged debts.

For Maclaine Watson and the DTI: Mark Littman QC, Richard Aikens QC, Richard McCombe and Adrian Hughes (Elborne Mitchell)

For JH Rayner: Sydney Kentridge QC and Jonathan Hirst (Clyde & Co)

For the six banks: Stanley Burnton QC, Maurice Mendelson (Slaughter & May)

For the brokers: Jonathan Sumption QC and Richard Field QC (Allen & Overy)

For the DTI Anthony Grabiner QC, Nicolas Bratza and David Richards (Treasury Solicitor)

For Australia, Japan, Malaysia, Nigeria, Thailand: Gordon Pollock QC, Alan Boyle and Richard Siberry (Clifford Chance)

For Belgium, Denmark, Greece, Ireland, Italy, Luxembourg, Zaire: Peter Leaver QC (Travers Smith Braithwaite)

For Canada: Patrick Talbot (Boodle Hatfield)

For the EC: Bernard Eder (Clifford Chance)

For Finland, Norway, Sweden, Switzerland: Stuart Isaacs (Herbert Oppenheimer Nathan & Vandyk)

For France, Germany, The Netherlands: Richard Jacobs(Lovell White & King)

For India: E Huw Davies (Stocken & Lambert)

For Indonesia: Howard Page QC (Macfarlanes)

For the ITC: Peter Irvin (Cameron Markby)

Rachel Davies
Barrister

Notice of Redemption to Holders of

NORDISKA INVESTERINGSBANKEN

(Nordic Investment Bank) **12½% Notes 1983/90.** NOK 100,000,000.-

In accordance with the Paying Agency Agreement, the following Notes are drawn for redemption. Maturity 15th July 1988. Second instalment.

2500 Notes each NOK 10,000.-

4	967	2010	2946	3973	4919	5759	6877	7952	8959
5	969	2015	2949	3974	4923	5771	6880	7954	8963
6	971	2016	2950	3976	4924	5775	6885	7963	8970
10	972	2017	2952	3978	4925	5777	6893	7965	8972
12	973	2018	2959	3987	4926	5783	6902	7966	8975
20	978	2021	2964	3994	4931	5789	6908	7969	8978
22	1013	2022	2966	3996	4935	5792	6919	7974	8982
26	1015	2023	2972	4007	4939	5799	6925	7975	8987
28	1016	2025	2997	4009	4941	5802	6927	7980	8988
29	1017	2026	3000	4011	4954	5804	6933	7981	8990
30	1018	2027	3013	4016	4957	5831	6944	7982	8993
32	1021	2035	3019	4034	4959	5837	6946	7985	8994
33	1022	2038	3021	4041	4962	5841	6947	7993	8998
34	1023	2042	3024	4043	4965	5849	6948	7997	9005
36	1028	2053	3025	4048	4967	5852	6951	7998	9006
45	1030	2054	3033	4049	4976	5870	6956	7999	9008
56	1031	2059	3035	4057	4977	5871	6957	8000	9015
58	1032	2069	3037	4058	4981	5876	6959	8001	9017
59	1037	2075	3043	4059	4987	5877	6962	8011	9018
62	1042	2076	3044	4060	4995	5878	6963	8013	9025
65	1046	2077	3046	4063	4997	5879	6968	8015	9027
69	1050	2084	3047	4064	5000	5880	6970	8016	9028
73	1052	2085	3049	4065	5003	5881	6972	8018	9032
76	1055	2099	3052	4070	5004	5887	6973	8020	9034
77	1058	2101	3056	4072	5006	5888	6975	8025	9036
96	1066	2109	3068	4077	5007	5901	6976	8032	9041
106	1067	2110	3072	4080	5011	5902	6980	8038	9044
109	1070	2112	3073	4088	5014	5903	6985	8044	9048
112	1071	2114	3075	4090	5023	5911	6989	8045	9052
117	1072	2136	3076	4091	5021	5916	6995	8048	9053
120	1076	2137	3082	4093	5023	5921	6996	8054	9056
123	1077	2138	3085	4095	5025	5924	7010	8055	9057
127	1078	2140	3087	4101	5026	5929	7011	8056	9061
132	1082	2145	3092	4104	5030	5934	7012	8062	9063
134	1083	2147	3094	4110	5032	5944	7015	8069	9064
135	1087	2149	3107	4117	5041	5949	7022	8071	9067
136	1089	2150	3113	4118	5042	5956	7027	8073	9068
138	1092	2151	3114	4119	5046	5960	7028	8074	9071
140	1099	2156	3117	4120	5049	5962	7032	8075	9074
141	1106	2157	3119	4122	5053	5967	7033	8078	9078
142	1112	2158	3124	4126	5060	5970	7034	8081	9080
148	1119	2159	3132	4131	5061	5971	7044	8082	9083
154	1127	2163	3142	4136	5063	5985	7045	8084	9088
158	1138	2168	3144	4140	5067	6002	7050	8087	9090
161	1144	2169	3147	4141	5069	6006	7055	8090	9093
162	1149	2172	3149	4142	5070	6007	7067	8091	9094
167	1152	2174	3152	4149	5071	6016	7076	8094	9095
169	1155	2179	3155	4157	5075	6027	7077	8096	9096
170	1156	2180	3157	4170	5077	6030	7090	8098	9099
171	1160	2181	3165	4173	5084	6039	7092	8102	9100
172	1162	2184	3166	4174	5088	6041	7098	8105	9101
174	1163	2191	3167	4177	5089	6048	7099	8117	9106
178	1169	2193	3170	4183	5091	6053	7100	8118	9109
181	1170	2198	3174	4185	5096	6061	7101	8121	9112
184	1171	2199	3175	4186	5097	6062	7110	8122	9116
185	1187	2203	3182	4188	5098	6065	7116	8123	9120
187	1190	2206	3183	4191	5100	6067	7119	8124	9129
197	1193	2207	3185	4192	5102	6073	7122	8137	9131
198	1200	2211	3186	4194	5103	6075	7124	8140	9135
202	1206	2214	3188	4196	5105	6078	7125	8141	9138
204	1209	2220	3189	4197	5106	6082	7134	8147	9141
214	1212	2225	3194	4200	5120	6083	7138	8148	9151
228	1219	2232	3197	4201	5128	6093	7141	8153	9176
232	1224	2241	3198	4212	5129	6095	7142	8157	9180
234	1231	2255	3201	4213	5132	6096	7146	8159	9182
237	1235	2257	3204	4214	5136	6097	7149	8160	9191
238	1239	2267	3206	4216	5151	6103	7150	8164	9198
239	1241	2272	3208	4217	5152	6106	7154	8169	9207
244	1247	2277	3211	4224	5162	6108	7153	8172	9208
251	1250	2282	3219	4230	5163	6114	7166	8178	9211
256	1251	2290	3221	4232	5164	6125	7167	8179	9213
263	1253	2292	3233	4233	5167	6127	7168	8181	9227
268	1256	2298	3234	4236	5169	6136	7170	8183	9228
270	1260	2300	3239	4242	5177	6142	7175	8184	9238
284	1263	2301	3246	4247	5178	6143	7176	8188	9239
286	1266	2304	3247	4250	5179	6146	7180	8203	9249
292	1269	2305	3259	4251	5189	6150	7181	8212	9251
293	1270	2312	3254	4255	5196	6151	7185	8213	9252
304	1271	2313	3267	4257	5203	6155	7186	8215	9258
307	1276	2315	3268	4259	5207	6162	7188	8222	9260
311	1277	2319	3270	4264	5209	6165	7192	8225	7264
315	1283	2322	3272	4270	5210	6174	7203	8235	9275
317	1284	2327	3275	4273	5211	6176	7206	8239	9277
320	1286	2330	3276	4274	5215	6180	7208	8241	9282
321	1291	2331	3295	4280	5220	6182	7209	8244	9288
322	1292	2332	3302	4282	5222	6183	7213	8253	9292
333	1293	2336	3303	4285	5223	6190	7221	8262	9313
334	1295	2345	3306	4287	5224	6192	7223	8266	9325
335	1302	2353	3310	4290	5225	6195	7225	8267	9327
336	1307	2355	3311	4292	5226	6196	7228	8279	9332
341	1312	2357	3313	4310	5227	6199	7232	8291	9333
345	1325	2358	3321	4314	5231	6202	7235	8292	9336
348	1328	2362	3331	4317	5235	6206	7237	8304	9337
354	1335	2364	3334	4318	5237	6207	7238	8306	9342
366	1337	2367	3338	4328	5244	6209	7240	8311	9344
367	1340	2368	3343	4329	5258	6220	7245	8315	9345
372	1348	2370	3346	4333	5262	6222	7254	8319	9349
373	1351	2373	3352	4334	5269	6230	7259	8326	9358
375	1353	2376	3353	4335	5273	6231	7260	8327	9360
377	1356	2377	3358	4338	5274	6239	7262	8333	9362
381	1358	2389	3370	4341	5275	6241	7265	8335	9371
384	1359	2396	3374	4342	5277	6249	7269	8343	9373
388	1367	2399	3376	4347	5278	6250	7273	8346	9377
403	1368	2400	3382	4358	5283	6258	7276	8355	9379
408	1384	2402	3385	4363	5284	6259	7280	8358	9380
409	1385	2418	3387	4376	5291	6260	7282	8360	9387
425	1388	2420	3390	4377	5297	6262	7285	8361	9393
426	1389	2423	3391	4379	5299	6266	7292	8365	9396
429	1391	2424	3395	4380	5301	6268	7294	8366	9397
430	1394	2428	3402	4385	5304	6276	7300	8367	9402
433	1396	2435	3406	4387	5305	6279	7311	8369	9403
434	1397	2436	3407	4389	5307	6280	7314	8375	9404
435	1398	2438	3408	4397	5312	6281	7317	8380	9409
441	1401	2439	3412	4403	5316	6283	7323	8381	9413
443	1403	2445	3413	4410	5319	6290	7330	8384	9418
445	1407	2446	3414	4416	5321	6294	7332	8385	9420
447	1411	2458	3416	4422	5322	6297	7336	8386	9424
449	1425	2464	3419	4431	5327	6304	7337	8387	9427
453	1429	2478	3423	4434	5333	6307	7345	8394	9428
462	1435	2480	3428	4461	5337	6308	7349	8400	9429
464	1441	2485	3433	4465	5344	6312	7353	8403	9435
468	1443	2488	3437	4466	5346	6316	7360	8406	9437
470	1452	2509	3438	4470	5351	6320	7361	8409	9438
475	1463	2510	3447	4472	5355	6323	7365	8416	9441
485	1466	2515	3450	4476	5358	6324	7371	8428	9442
488	1470	2520	3454	4480	5367	6327	7383	8433	9449
491	1479	2522	3457	4481	5375	6329	7385	8437	9461
492	1484	2523	3458	4484	5376	6332	7387	8440	9464
493	1485	2524	3466	4485	5377	6339	7393	8441	9468
496	1487	2525	3472	4486	5373	6349	7405	8451	9475
497	1488	2527	3475	4497	5381	6356	7416	8452	9487
499	1489	2528	3477	4504	5382	6357	7417	8456	9492
502	1495	2529	3485	4515	5386	6362	7418	8463	9493
503	1496	2531	3493	4523	5394	6369	7424	8466	9497
504	1508	2535	3498	4526	5395	6381	7426	8476	9509
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509	1524	2540	3509	4535	5397	6393	7431	8478	9514
512	1533	2542	3516	4540	5400	6399	7439	8482	9524
519	1535	2545	3518	4541	5401	6405	7441	8487	9532
523	1536	2549	3522	4542	5405	6407	7443	8492	9534
527	1545	2550	3535	4543	5409	6411	7454	8493	9539
531	1546	2551	3537	4545	5412	6414	7465	8496	9540
532	1549	2553	3538	4546	5416	6426	7474	8500	9549
533	1550	2554	3542	4562	5418	6427	7481	8510	9555
536	1552	2565	3546	4566	5420	6431	7486	8512	9556
540	1553	2568	3548	4567	5421	6436	7490	8519	9559
544	1554	2569	3555	4568	5422	6438	7503	8520	9560
549	1556	2570	3556	4570	5424	6443	7504	8538	9561
550	1559	2571	3558	4575	5429	6450	7507	8539	9575
554	1563	2576	3559	4576	5432	6454	7508	8541	9587
557	1569	2577	3560	4586	5442	6455	7510	8545	9589
563	1574	2582	3570	4593	5443	6461	7513	8552	9591
564	1580	2583	3571	4595	5444	6463	7517	8554	9594
566	1581	2584	3574	4597	5446	6466	7521	8556	9601
568	1583	2587	3581	4599	5447	6467	7522	8563	9603
576	1584	2588	3585	4601	5450	6471	7524	8567	9604
577	1588	2603	3592	4606	5451	6472	7526	8572	9605
579	1590	2604	3596	4608	5453	6475	7529	8573	9607
586	1592	2607	3597	4609	5454	6477	7531	8577	9617
588	1593	2608	3598	4616	5455	6478	7535	8584	9618
596	1597	2609	3601	4620	5460	6487	7547	8589	9625
598	1598	2615	3611	4621	5462	6493	7550	8591	9630
600	1601	2617	3612	4622	5463	6495	7551	8593	9631
602	1602	2618	3613	4625	5470	6497	7554	8597	9633
607	1608	2622	3614	4629	5474	6500	7559	8598	9635
611	1616	2623	3617	4630	5475	6505	7561	8606	9638
612	1617	2624	3621	4633	5476	6507	7575	8613	9654
613	1619	2631	3623	4634	5479	6509	7590	8617	9659
615	1622	2639	3625	4638	5481	6515	7595	8623	9664
624	1626	2644	3626	4645	5486	6516	7596	8624	9673
632	1647	2654	3627	4656	5487	6517	7599	8633	9677
633	1650	2659	3631	4658	5491	6522	7600	8647	9679
637	1661	2663	3632	4669	5495	6529	7608	8652	9682
646	1662	2664	3634	4671	5497	6532	7612	8653	9684
650	1674	2665	3638	4672	5501	6533	7614	8656	9689
651	1675	2668	3641	4680	5502	6536	7617	8658	9690
652	1684	2672	3647	4682	5509	6545	7621	8662	9691
656	1686	2674	3649	4683	5510	6556	7624	8666	9692
657	1695	2676	3658	4691	5513	6558	7626	8671	9699
660	1705	2690	3664	4701	5519	6560	7627	8673	9703
667	1706	2701	3668	4715	5523	6561	7634	8685	9704
676	1707	2703	3677	4719	5524	6563	7642	8689	9717
681	1708	2707	3680	4728	5535	6570	7643	8690	9724
687	1714	2708	3685	4729	5536	6571	7648	8691	9739
692	1718	2718	3687	4732	5537	6573	7651	8696	9741
694	1725	2719	3709	4734	5539	6579	7653	8700	9744
698	1727	2732	3710	4736	5544	6583	7659	8702	9745
703	1731	2738	3711	4737	5547	6587	7669	8705	9748
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711	1744	2747	3733	4743	5560	6627	7684	8725	9756
712	1752	2752	3754	4744	5562	6632	7696	8727	9757
717	1755	2754	3758	4745	5564	6639	7707	8729	9765
736	1756	2756	3759	4747	5569	6647	7713	8735	9768
743	1760	2757	3761	4760	5571	6648	7716	8737	9771
750	1763	2758	3767	4761	5575	6651	7718	8738	9773
754	1765	2760	3769	4768	5577	6653	7719	8744	9776
755	1768	2761	3774	4773	5585	6655	7722	8745	9777
757	1772	2765	3784	4778	5586	6656	7724	8753	9780
760	1773	2769	3786	4781	5599	6659	7731	8756	9781
767	1774	2775	3790	4786	5600	6662	7743	8758	9784
769	1775	2776	3796	4793	5605	6663	7745	8761	9790
770	1781	2788	3798	4795	5606	6664	7746	8766	9791
771	1783	2790	3801	4800	5607	6670	7747	8767	9792
773	1789	2792	3803	4801	5609	6675	7754	8776	9798
787	1794	2793	3804	4802	5612	6676	7755	8784	9802
788	1797	2795	3806	4804	5616	6687	7756	8785	9807
790	1798	2801	3808	4805	5620	6689	7758	8789	9809
792	1801	2803	3810	4806	5621	6696	7761	8791	9817
801	1802	2804	3811	4807	5624	6703	7762	8794	9835
802	1815	2805	3814	4808	5625	6708	7763	8796	9850
804	1816	2807	3815	4809	5629	6712	7765	8799	9852
808	1819	2808	3817	4810	5632	6713	7776	8800	9853
818	1820	2811	3818	4811	5638	6721	7777	8807	9862
821	1821	2812	3825	4814	5640	6723	7778	8808	9866
827	1823	2816	3827	4815	5643	6725	7779	8809	9868
829	1829	2821	3829	4816	5646	6730	7780	8813	9872
833	1835	2826	3831	4817	5654	6745	7783	8814	9875
836	1839	2828	3839	4819	5656	6746	7793	8817	9878
847	1852	2830	3842	4830	5661	6748	7795	8826	9884
852	1872	2831	3845	4831	5663	6751	7810	8827	9895
854	1875	2835	3848	4837	5673	6757	7818	8847	9901
858	1883	2836	3854	4842	5676	6761	7820	8849	9902
860	1886	2340	3860	4843	5677	6764	7823	8853	9904
865	1902	2344	3861	4845	5683	6765	7833	8855	9905
872	1911	2345	3881	4847	5686	6766	7834	8859	9907
879	1915	2346	3894	4848	5688	6772	7837	8860	9911
883	1916	2852	3895	4851	5689	6776	7841	8883	9913
884	1921	2856	3899	4856	5696	6780	7857	8865	9917
887	1923	2857	3910	4857	5698	6784	7862	8870	9919
890	1926	2871	3913	4870	5707	6785	7875	8871	9924
896	1932	2872	3923	4871	5710	6796	7877	8880	9927
897	1934	2873	3926	4879	5711	6799	7885	8883	9930
898	1935	2874	3928	4880	5715	6802	7886	8890	9934
901	1938	2876	3933	4882	5718	6811	7893	8897	9937
907	1940	2877	3935	4883	5719	6812	7907	8898	9938
910	1949	2887	3938	4884	5724	6815	7911	8901	9941
911	1969	2889	3942	4887	5727	6820	7914	8907	9942
912	1970	2890	3945	4892	5729	6821	7916	8908	9947
918	1975	2891	3946	4894	5730	6836	7923	8917	9953
927	1976	2902	3949	4895	5736	6838	7924	8911	9959
930	1978	2905	3952	4898	5738	6841	7926	8921	9962
939	1981	2909	3953	4900	5742	6842	7929	8923	9963
942	1983	2913	3954	4901	5743	6848	7931	8926	9968
945	1988	2922	3956	4905	5746	6862	7932	8931	9970
947	1989	2923	3957	4908	5750	6864	7933	8933	9975
951	1991	2934	3961	4909	5752	6865	7940	8936	9976
952	1994	2935	3963	4910	5757	6866	7943	8950	9978
955	2008	2938	3965	4912	5758	6872	7948	8951	9982
957	2009	2941	3972	4915	5759	6875	7950	8958	9992

We recall that the following Notes from earlier drawings have not yet been presented for redemption:

15th July 1987:

35	419	913	1182	1604	1906	2334	2996	3427	3865
64	423	944	1184	1607	1909	2335	3001	3455	3866
68	427	986	1196	1609	1917	2340	3007	3456	3885
71	437	988	1202	1614	1920	2348	3008	3499	3886
78	439	989	1207	1618	1943	2392	3103	3504	3893
80	440	1001	1208	1620	1946	2393	3120	3506	3922
82	459	1002	1214	1624	1979	2395	3131	3507	3924
83	463	1003	1217	1627	1982	2429	3168	3514	3932
89	467	1004	1218	1629	2063	2430	3169	3532	3936
92	473	1005	1225	1630	2064	2432	3171	3533	3969
107	474	1012	1226	1633	2065	2504	3173	3561	3970
111	482	1019	1228	1640	2067	2506	3187	3564	3975
190	484	1020	1232	1642	2068	2579	3190	3577	3979
209	489	1051	1233	1644	2071	2593	3192	3579	3980
211	494	1084	1478	1645	2074	2594	3199	3582	3983
259	507	1085	1504	1665	2081	2596	3200	3629	4035
260	522	1094	1509	1679	2105	2612	3210	3630	4036
275	538	1100	1511	1680	2106	2629	3216	3650	4037
310	545	1117	1517	1683	2134	2632	3227	3666	4147
312	601	1118	1521	1711	2141	2658	3232	3669	4340
314	606	1121	1525	1716	2182	2669	3242	3670	4345
316	620	1125	1526	1717	2216	2675	3243	3683	4349
325	629	1128	1527	1719	2250	2698	3249	3722	4350
326	630	1129	1528	1720	2251	2748	3250	3743	4351
328	721	1130	1529	1735	2252	2750	3254	3751	4352
330	723	1132	1530	1784	2259	2817	3260	3757	6669
331	725	1133	1534	1785	2261	2853	3265	3770	6716
342	726	1135	1539	1786	2266	2854	3266	3771	6718
344	749	1137	1582	1824	2268	2855	3282	3776	6724
349	763	1139	1585	1838	2271	2896	3283	3783	6728
355	805	1140	1589	1840	2275	2939	3289	3791	6733
356	806	1141	1591	1842	2285	2940	3291	3794	6734
357	811	1145	1594	1843	2294	2951	3292	3851	6736
358	820	1146	1595	1853	2316	2991	3308	3853	6737
359	868	1154	1596	1859	2317	2995	3405	3862	6738
365	889	1181	1603	1860	2333				

All Notes will become payable in NOK at the offices of: Bergen Bank A/S in Bergen, Citybank, N.A. in London, Paris, Zurich, Frankfurt, Brussels and Citybank (Luxembourg) S.A. From and after 15th July 1988, interest on all the above mentioned Notes will cease to accrue.

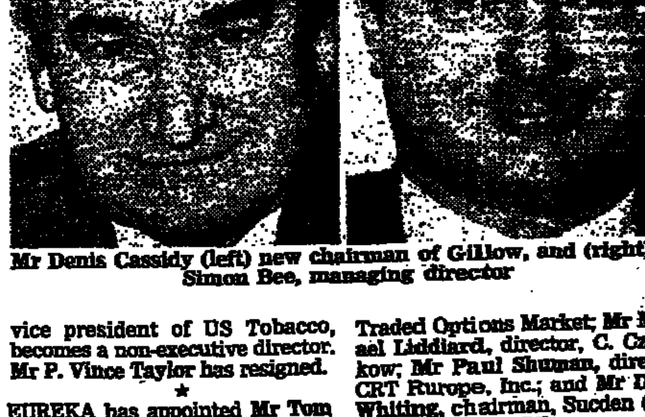
BERGEN BANK A/S

APPOINTMENTS

Senior posts at Gillow

Mr Denis Cassidy has been appointed chairman of GILLOW, the Maples/Waring & Gillow furniture group. He succeeds **Mr Cyril Spencer**, who has resigned. Mr Cassidy was the chairman of British Home Stores and is a non-executive director of BAA and the Boddington brewery. He was deputy chairman of Storehouse following the merger. **Mr Simon Bee** has been appointed group managing director of Gillow in succession to **Mr Ashley Meyer**. Mr Bee was chief executive of Sketchley consumer division, and a director of Sketchley.

★



Mr Denis Cassidy (left) new chairman of Gillow, and (right) Mr Simon Bee, managing director

Mr Peter Gilman, chairman and chief executive of GMI Landmark Management, has been appointed joint managing director of GLEN ABBEY; and **Mr David Heynes**, a director of York Trust, becomes a non-executive director. Each company has acquired 375,000 ordinary shares in Glen Abbey, a total of 20.01 per cent of the issued share capital. **Mr Michael Norris**, formerly joint chairman and chief executive of Glen Abbey, has been appointed chairman and joint managing director. **Mr Liam Jones** and **Mr Donal Roche** have resigned. **Mr John Teeling**, formerly joint chairman, *remains a director.*

★

NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed **Mr Richard Newton** as chairman. He takes over from **Mr Alan Kerry** who has retired.

★

Mr Rodney Northwood has been appointed construction director of HUNTING GATE CONSTRUCTION. *He was construction director* with Walter Lawrence. **Mr Colin Lipscombe** becomes commercial director. He was a surveying director with Norwest Holst.

★

Ms Helen Haigh has been appointed financial controller of CROSSLEE, Halifax. She joins from a similar post at Timeplex.

★

Mr P.E.J. Held has become chairman and chief executive of MARLING INDUSTRIES following the retirement of **Mr Louis Courts** who remains on the board. **Mr Paul Wiseman** has been appointed managing director with responsibilities for finance, and **Mr Aad van Adrichem** *becomes operations director.*

★

HILL SAMUEL INVESTMENT MANAGEMENT has appointed **Mr John Miller** to the board as director of personnel. He was head of personnel.

★

LEWIS & PEAT (PRODUCE) has appointed **Mr Don Steedon** as a director.

★

MINET INTERNATIONAL PROFESSIONAL INDEMNITY has appointed **Mr William Simpson** as director of finance, UK.

★

Mr Arthur Holder has been appointed sales director, and **Mr Gordon Sinden** technical director of CUSTOM INFORMATION TECHNOLOGY.

★

THE MIDKEM GROUP has appointed **Mr Brian Malkin** as chairman, **Mr David Evans** as group financial director, and **Mr Alan Ashforth** as group sales and marketing director.

★

SAGA HOLIDAYS has appointed **Mr Timothy Bull** as director responsible for group strategic planning. **Mr I. Robert Levine**, vice president of US Tobacco, becomes a non-executive director. **Mr P. Vince Taylor** has resigned.

★

EUREKA has appointed **Mr Tom Doyle** as managing director. He was group managing director of Data Control and Equipment.

★

Mr Bernard Liberman has been appointed managing director of MISYS DATALLER, chief operating subsidiary of Misys. He was president and chief operating officer of the Canadian subsidiary of the Welbilt Corporation.

★

Mr Robert H. Taylor, chairman and managing director of Scott *Rae Stevenson, Glasgow*, has been elected president of the BUILDERS MERCHANTS FEDERATION.

★

Mr David Geddes, marketing *director, Grand Metropolitan* **Retailing, has joined the corporate public affairs department of GRAND METROPOLITAN. He has been with the group since 1983.**

★

Mr Alan Coles has been appointed director of organisation and planning for THORN *SECURITY. He was personnel* director of Thorn Ericsson.

★

Mr Gerald Toms and **Mr Adrian Hare** have been appointed to the board of *ECC INTERNATIONAL*, a subsidiary of English China Clays. Mr Toms will be responsible for European Carbonates and clay operations in Spain, Portugal and France. Mr Hare will be responsible for divisional administration.

★

INTERNATIONAL COMMODITIES CLEARING HOUSE has made the following non-executive appointments to the board of its clearing house division in London: **Mrs Kimberley Albright**, managing director, development, LIFFE; **Mr Stephen Carter**, secretary general, BFE; **Mr Tony de Guingand**, director, London Traded Options Market; **Mr Michael Liddiard**, director, C. Czarnikow; **Mr Paul Shuman**, director, CRT Rurope, Inc.; and **Mr Derek Whiting**, chairman, Sucden (UK), and chairman, IPE.

★

T&N has made the following *appointments*: **Mr Allan Welsh**, managing director of Coopers Payen, has been appointed managing director of The Glacier Metal Co. in succession to **Mr Gerry Welsh** who has retired. **Mr Chris Rankin**, managing director of TAP Building Products in Zambia, succeeds Mr Welsh as managing director of Coopers Payen. **Mr Bill Ward**, director and *general manager* of TAP Building Products, succeeds Mr Rankin as managing director.

★

Mr Michael S. Roques has been appointed a director of HIGGS AND HILL BUILDING. He joined the company as chief surveyor in 1986.

★

Mr Christopher Waldron has been appointed managing director of RANK TAYLOR HOBSON, Leicester. He succeeds **Mr William Ramsden** who has retired. Mr Waldron was managing director of *Rank Cintel.* **Mr Jack Brittain**, head of business development at Rank Cintel, has been promoted to director and general manager. Both companies are in *the precision industries division* of The Rank Organisation.

★

LOVELL WHITE DURRANT has appointed the following to partnership: **Miss Lesley Ainsworth** (competition and EEc law); **Miss Catherine Allinson** (banking); **Miss Angela Dinsdale Gill** (litigation); **Mr Peter Fisher** (business taxation); **Mr Michael Gallimore** and **Mr Francis Giacon** (property); **Mr Michael Golding** and **Mr David Latham** (intellectual property); **Mr Roderick McKean** and **Miss Heather Rowe** (corporate finance); and **Mr David Moss** (on secondment in Tokyo). **Mr David Shenton** becomes a consultant, and **Mr Simon Polito** becomes second resident partner in Brussels.

★

Mr David E. Woods has been promoted from deputy general manager to managing director of SCOTTISH PROVIDENT from July 1. He succeeds **Mr Joe Macharg**, who will be retiring as general manager and a director on the same date.

★

Mr Jim Swithenbank becomes managing director of FOSTER U.K. on June 1. He is sales and marketing director of Hobart U.K., a sister company in the Premark International Food Equipment Group. He is succeeded at Hobart by **Mr David Smithson**,

UK NEWS — EMPLOYMENT

Non-unionism doubled in four years, says study

BY PHILIP BASSETT, LABOUR EDITOR

Non-unionism among British manual workers almost doubled in four years — with considerably higher rises in some regions.

The information comes in a study marking the first detailed evidence of the geographical pattern of trade union membership in the UK, and the change in union membership and non-unionism over time.

Using data from Government-supported workplace surveys taken in 1980 and 1984, the study shows marked growth in the number of workers employed in non-union establishments.

Non-unionism has traditionally been higher among white-collar employees — a finding confirmed by the study. But it is the growth of non-unionism among the manual workers — the bedrock of the UK union movement — which will worry union leaders currently considering unions' future role.

Among the principal findings of the study are:

● A sharp drop of 16 per cent in the number of manual workers in unionised establishments, from 83.7 per cent in 1980 to 70.3 per cent in 1984.

Membership decline has been particularly severe in some of the key trade union areas such as Wales and Scotland, as well as in already thinly-unionised areas such as East Anglia and the South-east.

● Non-unionism has risen across the country by 82 per cent among manual workers - and surveys taken since 1984 will probably find an even higher growth.

● Unionisation has also fallen by a fifth among white-collar workers and non-unionism has risen by a third, so that more than half the country's non-manual employees at the time of the survey were not union members. Again, that figure is likely to have increased.

Regional increases in non-unionism are less steep in some cases for white-collar than for manual employees, though that is partly because non-unionism was traditionally higher among non-manual workers.

REGIONAL TRENDS IN TRADE UNION MEMBERSHIP AND NON-UNIONISM
Proportion of workers in establishments - %

	UNION			NON-UNION		
	1980	1984	Chnge	1980	1984	Chnge
MANUAL						
Scotland	85.4	67.2	-21.3	14.6	32.9	125.3
Wales	85.7	73.3	-14.5	14.2	26.7	88.0
North	91.5	84.1	- 8.1	8.6	15.8	83.7
North-West	89.4	83.6	- 6.5	10.6	16.2	52.8
Yorks & H'side	86.5	85.4	- 1.3	13.5	14.6	8.1
West Midlands	90.9	77.1	-15.2	9.2	22.3	142.4
East Midlands	93.0	63.1	-32.2	7.0	37.0	428.6
East Anglia	82.1	66.1	-19.5	17.9	33.9	89.4
South-West	79.2	61.2	-22.7	20.9	38.8	85.6
South-East	69.4	61.5	-25.8	30.6	48.6	58.8
London	75.8	68.3	- 9.9	24.2	31.8	31.4
GB	83.7	70.3	-16.0	16.3	29.7	82.2
NON-MANUAL						
Scotland	62.5	46.5	-25.6	37.5	53.5	42.6
Wales	73.0	66.9	- 8.4	27.0	33.1	22.6
North	71.7	48.6	-32.2	28.3	51.5	8.2
North-West	68.6	64.6	- 5.8	31.4	35.4	12.7
Yorks & H'side	57.2	55.8	- 2.4	42.8	44.2	3.3
West Midlands	68.1	58.5	-14.1	32.0	41.5	29.7
East Midlands	74.2	56.8	-23.5	15.8	16.2	2.5
East Anglia	68.3	39.1	-42.8	31.8	60.9	91.5
South-West	67.7	43.0	-36.5	32.3	57.0	76.5
South-East	44.4	43.2	- 2.7	55.6	56.7	2.0
London	54.9	39.0	-30.0	45.0	61.1	35.7
GB	61.3	48.7	-20.6	38.6	51.3	32.9

Philip Bassett examines geographical information which paints a bleak picture for Britain's unions

Research tells the TUC where to find its members

BRITAIN, the cradle of trade unionism, does not know where its trade union members are.

In the USA, union membership is monitored state by state but in the UK, official Government figures only look nationally at trade union membership, so that in a recent internal report the TUC admitted it could not say with confidence how many trade union members there are even in each UK region.

This is to change, however, as research by Mr Philip Beaumont of Glasgow University and Mr Richard Harris of Queen's University in Belfast shows for the first time the geographic dispersal of union membership in Britain, as well as non-union membership, and also shows how it changed in the key years of the recession of the early 1980s.

The research, presented to a recent labour economics study group at Swansea University, uses unpublished data from the Government-funded Workplace Industrial Relations Surveys for 1980 and 1984 to detail the geography of trade union membership.

Though the data is some years old, it is the most recent reliable information on industrial relations taken from a sample of more than 2,000 establishments. At the time, the recession was biting hard into both employment and union membership.

If anything, the dire position it details for Britain's unions may well have worsened since then: employment has grown and union membership has continued to fall since 1984.

Also, following the Government's union de-recognition at GCHQ in that year, employers have become bolder in either setting up without unions or in derecognising them, as seen in the current P&O dispute. The 1988 WIRS survey, to be published at the end of the decade, may show intensification of these membership trends.

The table shows the research's overall findings on union membership for manual and white-collar employees in the standard British economic regions.

It also includes details on non-unionism, aggregating the study's more detailed findings for establishments where unions are not recognised for collective bargaining purposes, but where there are some members or where there is no union membership.

Among manual workers, union membership is below average in London, the south east, East Anglia and the south west. By 1984, however, with a 16 per cent drop in union recognition in Britain overall, Scotland and the East Midlands dropped below the manual average level too, with the East Midlands recording the largest percentage fall. Among white collar workers, unionisation was only at two-thirds in Wales.

The study looks at whether these patterns are related to industrial structure — certain industries with particularly high or low historical levels of union recognition. It finds, however, that these are of secondary importance and concludes that "union membership in Britain is disproportionately concentrated in the northern regions of the country."

In the four southern regions (including London), non-unionism is equally disproportionately concentrated. Among manual workers, it was above average in only those four areas in 1980.

Four years later, non-unionism among manual workers had shown a remarkable growth, rising by more than four-fifths across the whole country, and showing much larger rises elsewhere, especially in the east and west Midlands, and in Scotland.

Among manual employees, non-unionism is seen at above-average levels in six out of the 11 economic regions in 1984, and its lowest point in 1984 is still more than double the low of four years previously. In the south east, almost half the manual workers — traditionally trade unionism's bedrock — are recorded as non-union.

For white collar workers, non-unionism covers more than half the employees in six out of the 11 regions

Non-unionism overall was higher for white collar than manual employees in 1980, especially in the south east. By 1984, however, non-unionism was proportionately higher among manual workers in the east Midlands than among white-collar workers.

The study also finds that though size of establishment is clearly an important factor in relation to non-unionism — smaller establishments are less likely to be unionised — the spatial pattern of non-unionisation again is not simply explained by differences of industrial structure.

The north-south divide in Britain: the case of trade union recognition, by PB Beaumont and RID Harris. Mimeographed paper, Department of Economics, Queens University of Belfast.

NGA leaders urge subscriptions offer

BY JOHN GAPPER, LABOUR STAFF

LEADERS OF the National Graphical Association are recommending that the union becomes one of the first to introduce a lower subscription rate for new recruits in an attempt to stem a decline in membership.

New full-time members would pay a flat rate of £1 a week for the first two years and new part-timers would pay only 50p a week under a proposal to be put to the print union's biennial delegate meeting.

The motion, to be considered at the meeting in Blackpool on Wednesday, suggests the new introductory rates as a means of helping the union extend its influence into "unrecognised offices and unorganised areas."

It is being proposed by the NGA's executive council, which has been studying ways of halting a membership decline which has afflicted the NGA in recent years, in common with many unions organising in the private sector.

The introductory subscription would cover national, branch and chapel (office branch) subscriptions. The current NGA national subscription is £1.90 a week.

The idea of a lower rate for new members or part-timers has been considered by several other unions. Usdaw, the shopworkers' union, last week voted down a move at its annual meeting to introduce a lower rate for part-timers.

Mr Tony Dubbins, NGA general secretary, told the meeting yesterday that there was a "climate of fear" in the newspaper industry because of hostility among employers towards unions in the wake of government trade union legislation.

Mr Dubbins also attacked TUC leaders for failing to suspend the EETPU electricians' union over its role in the News International dispute at Wapping, London, accusing them of "bowing to the arrogance and implied legal threats" of the EETPU.

He said the TUC's decision to accept the result of the EETPU's own inquiry into its behaviour rather than launching a separate one had been a "total abdication of their responsibility as the custodians of the TUC's constitution."

Mr Dubbins accused the EETPU of following principles "more in line with Thatcherism than trade unionism" in signing single union deals with employers, and said its behaviour was "damaging, divisive and unacceptable to the vast majority of this movement."

Benefit probe cuts claims

BY OUR LABOUR EDITOR

TWO recent government investigations into benefit fraud have led to savings of more than £500,000 and to about 550 people ceasing to claim benefit, Mr Norman Fowler, Employment Secretary, is due to announce today.

Investigators found that:

● Many West Midlands taxi drivers were claiming benefit while working, when a list of about 5,000 drivers was checked against the unemployment register. About 500 people subsequently withdrew their claims, leading to savings of about £500,000. Prosecutions are being considered.

● Coventry was the scene of a potential fraud when about 300 benefit claimants failed to collect their cheques, in spite of extensive publicity, after a postal dispute led to the cheques being sent to local unemployment offices for personal collection.

Doubt voiced on training plans

THE GOVERNMENT is being unrealistic in expecting employers to provide the practical training planned for its proposed £1.4bn Employment Training programme, according to a leading personnel specialist.

Privately, some employers' representatives report doubts about the value of the Government's new scheme for the long-term unemployed, and some believe the Government will have difficulty persuading employers to make their £150m a year contribution to the scheme.

The scepticism about the scheme from Ms Sheila Forbes, group head of personnel at Unigate, is one of the few public expressions so far of an employer's reservations.

Ms Forbes says the Government's expectation that employers will provide the training in ET, as with the Youth Training Scheme, is "unrealistic and inappropriate", and says employers do not support it.

She suggests Government and employers' money should be channelled into independent organisations charged with providing training within a local network. That would then be an "appropriate role" for employers.

Writing in the latest issue of the journal Personnel Management, Ms Forbes says there are "real question marks over the Manpower Services Commission's ability to deliver." The MSC, renamed the Training Commission, will run the scheme.

There is a risk of providing a range of individually-tailored programmes not related clearly to local labour market needs.

While such training is good practice, she says, it will not achieve its objectives unless done within a context where the skills match the demand

CONSTRUCTION CONTRACTS

£55m Westminster offices

Land Securities has awarded a £55m contract - its largest this year - to **JOHN MOWLEM & CO** for the redevelopment of Sanctuary Buildings, a major office holding at the Parliament Square end of Great Smith Street, London, SW1.

The design will result in a total redevelopment behind existing facades to provide a 12-storey structure of some 220,000 sq ft of air-conditioned offices and extensive basements. The central feature of the design is the atrium which has a southern orientation to maximise the available daylight.

Some months ago Land Securities obtained planning permission from Westminster City Council for the scheme which has been designed by Frederick Gibberd Coombes & Partners.

According to Land Securities' director Ian Henderson, the project entails the retention of probably the tallest facade currently being undertaken in London. The elevation being retained is over 130 ft long and more than 82 ft high.

"Because Great Smith Street is so narrow, we have to retain the facade from within the site which renders the building operation far more complex than would otherwise be the case," he says. Work has started on site, with completion scheduled for late 1990.

Three for Norwest Holst

NORWEST HOLST has been awarded three major contracts in London worth a total of £56m.

The orders include an office and shop development in the City, a prison in Woolwich, and a printing works extension on the Isle of Dogs.

Largest award is the £26m facade retention office and shop development for the Norwich Union Life Insurance Society. During demolition of the existing buildings the facade fronting New Broad Street, Old Broad Street and part of Broad Street Avenue will be supported and retained.

Behind this, a seven and an eight-storey office block will be constructed which can be interlinked if necessary.

When the contract is completed early in 1990 the taller building - New Broad Street House - will feature 110,000 sq ft of office with shop accommodation on the lower ground and ground floors. The smaller Orient House development will provide 22,000 sq ft of office space.

Norwest Holst has started work on the £12.2m extension to the recently completed Daily Telegraph/West Ferry works and office buildings on the Isle of Dogs, for Express Newspapers.

Work - under a design and manage contract - includes alterations to the building and services, as well as new construction. Within the existing building, work must be carried out carefully because of the controlled temperature, humidity and dust conditions.

Norwest Holst has already carried out several contracts for the Daily Telegraph including the £13m design and construct printing works in Manchester which was completed early in 1986.

Making up the trio of contracts is an £18.9m superstructure package on the Woolwich Urban Prison. Client for the contract is the Property Services Agency.

Hyatt Hotel in Birmingham's centre

WILLETT, part of the Trafalgar House group, has won a £27m turnkey design and build contract for a Hyatt Hotel in the centre of Birmingham.

Trafalgar House, Hyatt International Corporation and Birmingham City Council are carrying out the development as a joint venture.

Financing for the scheme includes an equity stake from Trafalgar House, a major Urban development Grant, and a loan from the European Investment Bank. It is expected that the project will have wide economic implications - by the creation of jobs directly and indirectly, and by expanding the amount of top-level hotel accommodation for the increasing numbers of conference delegates, business travellers and tourists visiting Birmingham.

The new hotel will provide a 23-storey, 319-bed complex in Broad Street in the heart of the city. It will overlook Birmingham's new multi-million pound international convention centre now under construction and due to open in the late summer of 1990.

Rectangular in shape, the new hotel will be of contemporary design, clad in reflective solar-glass panels. A major feature will be an open lobby with fountains, waterfalls and trees. There will be fitness and leisure facilities as well as banqueting and meeting rooms.

Work starts early this month, and completion is scheduled for the late summer of 1990.

Wytch Farm export pipeline project

AMEC subsidiary **PRESS CONSTRUCTION** has won the biggest pipeline contract to be placed in UK for several years.

On a £15m award from BP Petroleum Development, Press is to lay the export pipelines from Wytch Farm on the Dorset coast to the Southampton area.

About 162 km of steel pipelines varying in diameter from 4 to 16 inches will be constructed during the nine-month project, the major elements being 90 km of 16 inch and 50 km of 8 inch pipeline to carry oil and gas respectively.

The gas line is being laid on behalf of British Gas in a separate trench from the gathering station at Wytch Farm to Sopley in Hampshire where it will link into the region's transmission system.

The contract also includes provision of 9.5 km of fibre-optic cabling for control and instrumentation systems and 4.2 km of 11kV power cable.

The epoxy-coated welded pipelines will be buried with a minimum of 3 feet of cover for the oil line and 3 feet 7 inch cover for the gas line. The cross-country route will involve 26river crossings, 68 road crossings and four rail crossings.The company's environmental officer will closely monitor construction throughout the project.

During pipelaying, all welded joints will be epoxy coated and subjected to 100 per cent radiographic examination for defects. Press will also carry out hydrostatic pressure testing on completed pipelines using the services of subsidiary Mobile Testing Services.

Offices with view over River Thames

Work has started on Tower Bridge Court, Grosvenor Square's new 7-storey office development at 226 Tower Bridge Road, London. The £10.5m shell and core contract was awarded to **WATES CONSTRUCTION**. Completion will take place in November 1989.

The site, formerly the home of the Courage Horselydown Brewery, is next to Tower Bridge on the south side of the River Thames.

The 70,000 sq ft development includes full air conditioning, five lifts, raised floors and basement car parking for 28 cars. An atrium and many of the offices will have views across the Thames.

Tower Bridge Court will be available on a leasehold or freehold basis. Joint letting agents for the project are Healey & Baker and Goodman Mann Associates.

Old hospital makes 66 new homes

A £4.75m contract for Phase I of the redevelopment of the Royal Free Hospital site at Liverpool Road, London N1, has been awarded to **EVE CONSTRUCTION** by the Circle 33 Housing Trust.

The contract involves construction of four blocks containing 17 homes and reconstruction of six Grade II listed hospital buildings which will provide a further 49 homes.

The old buildings, dating from the 1840s, will be gutted leaving only the facades to be incorporated in the redevelopment scheme.

The new homes will generally be constructed with load-bearing brick walls, both pre-cast concrete and timber intermediate floors, and timber pitched roof. Work has started.

Small business in Belgium

Financial backers – could do better

BY CHARLES BATCHELOR

HUGO van de Voorde, founder of a small horticultural consultancy business in Ghent, Belgium, tells a tale which will be familiar to small businessmen throughout Europe.

Two years after leaving university in 1982, Van de Voorde had confirmed that there was a market for his services: advising growers of potted plants on questions of greenhouse management, exports and the viability of investment projects. He was equally convinced that there was no future for a one-man business and that he would have to expand.

The manager at the local branch of the agricultural co-operative bank Van de Voorde used could not be persuaded to back the venture, however. "The banks can be very conservative," says Van de Voorde. "They don't look at your business plan and your prospects. They look at the past. You are all right if you have enough assets but a young start-up company has problems."

For many would-be entrepreneurs the story ends there. But Van de Voorde, who had received a business training alongside his horticultural studies at Ghent University, persisted.

He changed his bank and also went looking for venture capital, a source of funding which has made rapid strides in Belgium in recent years. Van de Voorde convinced ISEP, a venture fund set up by Belgium's savings banks, that he had a viable proposition and they backed him with BFr3m (£43,000) in return for a 48 per cent stake in the business.

Teeltinfo now employs 10 people and has grown from turnover of BFr4m in 1984 to an expected BFr21m this year. It moved into profit for the first time in 1987.

Establishing a rapport with a financial backer is not an exact science – much depends on personal chemistry – and other businessmen report finding their bank managers extremely helpful.

The overall financial picture for the small businessman in Belgium is not particularly favourable, however. Most start-ups are financed by the entrepreneur's family and the sums available are usually modest – less than BFr500,000 in seven cases out of 10.

Soft loans are available from the government for investment in certain industrial sectors but many small businesspeople are unaware of their existence and the procedures to get the funds are complex and time-consuming, says Professor Rik Donckels, director of Belgium's Small Business Research Institute.

Van de Voorde considered seeking government finance but says he dropped the idea because of the conditions. He did apply for tax exemptions under a government programme to help innovative companies but was told Teeltinfo did not qualify. This experience has left him with a jaundiced view of government programmes.

Of course, small businesses do not always set about raising funds in a very effective manner. Very few present their project in the form of a fully worked-out business plan and, when it comes to raising equity finance, they are often reluctant to let outsiders take up shares.

"Up to a year or so ago small businesspeople did not know about business plans," says Jo van Mol, an adviser in the small firms division at Generale de Banque, Belgium's largest commercial bank. The bank has produced a formidable 60-page business plan which can take up to a week to complete for business people who come to it for start-up funds.

Generale de Banque's efforts to improve the quality of the business proposals coming from would-be entrepreneurs forms part of a campaign, launched last year, to target small and medium sized firms – those with turnover up to BFr1bn (£15m) – more effectively.

It has also launched a loan facility which it claims is unique in Belgium to meet the complaint of entrepreneurs like Van de Voorde that banks only lend against assets.

The *credit partenaire* is a combination of overdraft, standard investment loan and subordinated loan which is granted usually on the basis of a business's prospects and not on the basis of assets or guarantees from the owner. Several hundred have been made since these credits were launched last May.

The bank is prepared to lend an amount twice that of the entrepreneur's own financial contribution and has typically made loans of BFr5m.

It sees an opening in providing funding on this scale because of what it regards as the failure of the venture capital industry to provide smaller sums to companies. "If you want up to BFr2m you can get it from most banks," notes Van Mol. "But between BFr2m and BFr10m there is a gap in the market."

Equity funding proper comes from a range of institutions, though very few would qualify for the description of venture capitalists in the Anglo-American sense – that is, independent providers of finance who are willing to become involved in the management of the companies they back.

Despite the small size of its economy, Belgium ranked fourth – after Britain, the Netherlands and France – in the European venture capital league table in 1986 with a pool of venture finance of Ecu865m (£571m), according to the European Venture Capital Association.

But many of the providers of equity capital in Belgium are regional investment companies or financial holding companies which take a more passive view of their investments than would be normal in Britain or the US.

"It would be wrong to translate Anglo-Saxon ideas literally into the Belgian context," says Philippe de Vicq de Cumptich, president of the Belgian Venturing Association. "Ventures here are on a smaller scale. We see ourselves as temporary partners and always with a minority holding. We are 'hands-off' in our approach to management."

This approach may be appropriate in a country where the small family-owned concern with its resentment of outside interference has dominated the small business sector. But some of the new generation of entrepreneurs would welcome a more active approach.

Bruce Lang, an Englishman and founder of Lang Learning Systems, which makes video training programmes, wishes his venture capital partner, ISEP, took a more active interest in his business. "They have not been as hands-on as I had hoped."

It is not uncommon in the Belgian venture capital industry for the investor to sell its shareholding back to the founder and majority shareholder once the business is established, rather than seeking a public listing or a sale to a larger company.

This may explain the failure of Belgium's secondary stock market, which has attracted only three companies (one of which has since moved to the main market) since it was set up in January 1985. One of the reasons for this failure is the fact that the listing requirements are only slightly less onerous than the full market.

The financial climate for small business in Belgium is improving but, though there is no shortage of funds, making them accessible to the small business owner remains a problem.

This article concludes a two-part feature on Belgian small business. The first was published on April 19.

Tony Andrews

Hugo van de Voorde: flourishing with the help of venture capital

In brief...

INTEREST in persuading companies to place orders locally has been growing and is seen as one way of boosting inner city enterprise. A number of organisations has produced local directories of small firms to encourage this process.

The latest edition of Who's Who of Young and Enterprising Businesses in the North East has been published, listing nearly 200 small businesses in the region.

Contact Project North East, 60 Grainger Street, Newcastle upon Tyne, NE1 5JG. Tel 091 261 7856.

●

THE THIRD edition of the BBC Small Business Guide is now in preparation.

Colin Barrow, the editor, would like to hear from organisations providing a service to the smaller firm and from anyone who has comments on the usefulness or otherwise of advisory services or other organisations listed in earlier editions of the guide.

Contact Colin Barrow, Cranfield School of Management, Cranfield, Beds MK43 0AL. Tel 0234 751122.

●

A VALUABLE introduction to the intricacies of the venture capital industry is provided by the fifth edition of the Guide to Sources of Venture Capital published by accountants Stoy Hayward.

The 96-page guide, which is free, lists nearly 200 providers of venture and development capital with details of the types of investment they consider, the normal levels of funding and the nature of their current portfolios.

Contact: Stephen Greene, Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel 01-486 5888.

●

PEOPLE starting or already running a small business in the tourism industry in London will be able to call on specialist advice from a new service which has been launched by the London Tourist Board, the government's Small Firms Service and the Hotel and Catering Industry Training Board. The first three consultation sessions are free, after which a charge of £30 a session is made.

Dial 100 and ask for Freefone Enterprise or call the tourist board on 01-730 3450.

Legal advice

Solicitors think small

Charles Batchelor on the profession's efforts to present a friendlier face

HAS YOUR LOCAL solicitor been friendlier of late? Has that aloof figure you last met briefly when you bought your house suddenly started taking an interest in your business affairs?

If small business owners up and down the country have not already noticed a change they may do so over the next few months. The reason is a campaign launched by the Law Society to win a larger slice of the small business advice market for the legal profession.

The accountants have long since realised the potential of the small business sector and – helped by the fact that even small companies are required to have their accounts audited – have built up a formidable lead in the field of advice. The lawyers are now attempting to make up some of the lost ground.

Just how much they have to make up is illustrated by one company's experience as recounted by Frank Pattison, a solicitor and chairman of the Derwentside Industrial Development Agency. He was speaking at a conference held in London last week to launch the Lawyers for Enterprise scheme.

Pattison told the story of a company set up by two local businessmen which went through several rounds of raising finance, leased and then finally built its own factory and expanded to employ 200 people with only minimal help from the legal profession.

"The history of this company featured legal problems at several stages but the only time solicitors were involved was when they were absolutely necessary – to negotiate a lease and approve a funding agreement," Pattison said.

When companies do call in their solicitors it is often because they have run into difficulties, said Derek Bradbeer, president of the Law Society.

What the Law Society has now done is to produce an information pack for its members pointing out the main areas where a small business might require advice.

It has prepared a complementary leaflet which will be made available to the public from June 1 in enterprise agencies, local council offices and citizens advice bureaux with a check list of possible problem areas for the small businessperson.*

With the leaflet will be a list of local solicitors willing to act for the small business. A small businessperson contacting a solicitor through this scheme will be given a free counselling session to establish what the problems are, whether a lawyer is the right person to help and, most important, what it is likely to cost.

The legal profession, more than any other has a reputation for charging high fees and for failing to give its clients an idea in advance of what the charges will be.

In fact, according to solicitors at the Lawyers for Enterprise conference, the practice of giving new clients a free introductory session is widespread in the profession. And, they claimed, many lawyers are flexible about fees.

Fees estimated

Where there is a specific problem to be solved, such as drawing up a service contract or setting up an in-house pension scheme, the fees can be estimated in advance, said Robin Smith, a Law Society Council member.

Where the extent of the problem cannot be foreseen, in, say, the case of a dispute, a solicitor would keep the client informed of what each stage would cost.

The cost of advice will vary with the seniority of the lawyer involved. An hour of a senior partner's time might cost £300 but a typical provincial firm would charge £30-£35 for the services of an assistant solicitor.

Elizabeth Henning, who runs a largely commercial practice in Cambridge with her husband, says all new clients get a free session and agreement can be reached on how large a bill a client will run up. "I can agree in advance to give someone, say, £30 of legal advice," she says.

So what problems should you take to your solicitor? The Law Society has identified 12 key areas where it believes a lawyer can help. They include:

● Choosing the form your business will take. Should the business-starter go for the relative simplicity of becoming a sole trader, for a partnership – limited or unlimited – for a co-operative or a company? Issues to be taken into account are the administrative burden, the costs of audits and annual returns, the need for secrecy and the tax implications.

● Working from home and leasing or buying commercial premises. Many homes have covenants limiting their use for business; commercial leases can impose obligations even after they have been assigned to someone else and arrangements for rent reviews are a frequent source of misunderstandings.

● Debt collection. Small businesses can minimise their exposure to bad debt by the way they draw up contracts and by obtaining guarantees from directors to cover company debts. If something does go wrong a solicitor can advise on the best approach to getting your money back.

● Franchising, licensing and registration procedures, disputes and employment law are other areas where lawyers believe they could be of greater use to the small business client.

Just over 1,000 of the 8,000 law firms in England and Wales have said they are willing to join the Lawyers for Enterprise scheme, though there was some concern expressed at the launch conference that they might not all be qualified to advise in this field.

A number of solicitors and enterprise agency directors at the conference called for participants to be given specialised training. "I fear we will get small businesspeople wasting their time and fees and not getting proper advice straight away," said Guy Sibley, director of the Medway Enterprise Agency.

There was also a call for the lists of solicitors willing to do small firms work to name the individuals rather than their firms. "If I am out of the office callers might go through to my partner who specialises in divorce work," noted one solicitor.

The legal profession has largely ignored the small business sector in the past. It plays a minor role, for example, in working with the enterprise agencies compared with the enthusiasm with which the accountants and the banks have provided support and secondees.

Lawyers for Enterprise could benefit both small businesses and the solicitors if it can be made to work.

"It is marvellous to see something being done at last," Elizabeth Henning says, but she adds: "This should have been done years ago."

**A check list can also be obtained from the Law Society, Tel 01-405 9075.*

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Business required based surrey area for preference, or could be re-located. Full details including turnover, nett profit. Would consider expansion or start up proposals.

Replies to Box H3439, Financial Times, 10 Cannon Street, London EC4P 4BY

Fully Listed Plc Shell Wanted

Please offer in confidence to:
The Advertiser Box H3437, Financial Times, 10 Cannon Street, London EC4P 4BY.

Plant & Machinery

FOR SALE

Complete Woodworking Plant For the manufacture of kitchen units, wardrobes or any board related product, Including shrink wrapper.
021-643-7870.

Notice to Holders of

7% Convertible Subordinate Debentures

Due 2001 of

W. R. Grace & Co.

Pursuant to Section 1306 of the Indenture dated as of February 7, 1986 from W. R. Grace & Co. (the "Company") to Manufacturers Hanover Trust Company, Trustee, with respect to the above-captioned Debentures, notice is hereby given that the Board of Directors of the Company has approved, and recommended that the shareholders of the Company approve at a meeting to be held on May 10, 1988, a plan of merger under which the Company (incorporated in Connecticut) would become a subsidiary of a New York holding company, presently called W. R. Grace & Co. – New York ("Grace New York"), and each share of Common Stock, par value $1.00 per share, of the Company (other than shares as to which appraisal rights are exercised under Connecticut law) would be automatically converted into a share of substantially identical common stock of Grace New York. The merger is expected to become effective as soon as practicable after such approval by the shareholders. It will not be necessary for holders of shares of Company Common Stock to exchange their certificates for certificates of Grace New York common stock.

Subject to such approval by shareholders and promptly after the effectiveness of the plan of merger, the Company expects to enter into a supplemental indenture with the Trustee pursuant to Sections 801 and 1311 of the Indenture to make appropriate provisions with respect to conversion rights and otherwise in connection with effectiveness of the plan of merger. Pursuant thereto, Grace New York would assume joint and several liability with the Company for payment of the Debentures.

Effectiveness of the plan of merger will not affect the conversion price of the Debentures, which is currently $31.625 principal amount of Debentures for each share of Common Stock. Thereafter, Debentures will be convertible into shares of common stock of Grace New York rather than Common Stock of the Company.

This Notice is not a notice of Change in Control of the Company, a call for redemption nor a suggestion that conversion rights be exercised, and does not request or require any action by holders of the Debentures.

W. R. Grace & Co.

Dated: April 27, 1988

Notice to Holders of

6½% Convertible Subordinate Debentures

Due 2002 of

W. R. Grace & Co.

Pursuant to Section 1306 of the Indenture dated as of September 15, 1987 from W. R. Grace & Co. (the "Company") to Manufacturers Hanover Trust Company, Trustee, with respect to the above-captioned Debentures, notice is hereby given that the Board of Directors of the Company has approved, and recommended that the shareholders of the Company approve at a meeting to be held on May 10, 1988, a plan of merger under which the Company (incorporated in Connecticut) would become a subsidiary of a New York holding company, presently called W. R. Grace & Co. – New York ("Grace New York"), and each share of Common Stock, par value $1.00 per share, of the Company (other than shares as to which appraisal rights are exercised under Connecticut law) would be automatically converted into a share of substantially identical common stock of Grace New York. The merger is expected to become effective as soon as practicable after such approval by the shareholders. It will not be necessary for holders of shares of Company Common Stock to exchange their certificates for certificates of Grace New York common stock.

Subject to such approval by shareholders and promptly after the effectiveness of the plan of merger, the Company expects to enter into a supplemental indenture with the Trustee pursuant to Sections 801 and 1311 of the Indenture to make appropriate provisions with respect to conversion rights and otherwise in connection with effectiveness of the plan of merger. Pursuant thereto, Grace New York would assume joint and several liability with the Company for payment of the Debentures.

Effectiveness of the plan of merger will not affect the conversion price of the Debentures, which is currently $42.125 principal amount of Debentures for each share of Common Stock. Thereafter, Debentures will be convertible into shares of common stock of Grace New York rather than Common Stock of the Company.

This Notice is not a notice of Change in Control in the Company, a call for redemption nor a suggestion that conversion rights be exercised, and does not request or require any action by holders of the Debentures.

W. R. Grace & Co.

Dated: April 27, 1988

FIRST NATIONAL BANK Plc
(formerly First National Securities Ltd)
AND FIRST NATIONAL
MANAGEMENT LIMITED

ANNOUNCE THAT WITH EFFECT FROM
1st MAY 1988
THE HOME LOAN RATE WILL BE
9.50%

First National House, College Road, Harrow, Middlesex HA1 1FB.

DIARY DATES

FINANCIAL

YESTERDAY

DIVIDEND AND INTEREST PAYMENTS–
American Int. Tech. Corp. 135cts
American Tel. & Tel. 30cts
Edinburgh Inv. Tst. 7½pc Deb. 1985 3.25pc
Hospital Corp of America 18cts
Lamont Hldgs. 6.6pc 2nd Pf. 2.8p
Do. 5pc Pf 1.65p
Do. 10pc 3rd Pf. 5p
Northern American Tst. 3½pc Pf. 1.75p
Schroder Global Tst. 5pc Pf. 1.75p
Southwestern Bell 62cts
Torchmark Corp. 25cts

TODAY

COMPANY MEETINGS–
Bullers, Howard Hotel, Temple Place, W.C., 11.45
CLF Hldgs., 11, Gough Square, E.C., 10.00
Edinburgh Fund Managers, 4, Melville Crescent, Edinburgh, 12.15
European Home Products, Ebbgate House, 2, Swan Lane, E.C., 10.30
Fleming Mercantile Inv. Tst., 25, Copthall Av., E.C., 12.00
Leisuretime Intl., Drapers Gardens, Throgmorton Av., E.C., 10.00
Ratcliffe (G B), 75, Harborne Road, Birmingham, 3.00
Sound Diffusion, 76, Shoe Lane, E.C., 12.00
Wickes, 19-21, Mortimer Street, W., 11.00

BOARD MEETINGS–
Finals:
Conrad Hldgs.
Delyn Packaging
Forward Group
Glamar Group
Guidehouse Group
Intrafied Associates
London Finance & Inv. Group
London United Invs.
Moss Bros
Usher Walker
Interims:
Keystone Inv.
M.M.T. Computing
SAC Intl.
Trafalgar House

DIVIDEND AND INTEREST PAYMENTS–
BM Grp. 1.2p
Barro Inds. 3.1p
Do. 5pc Pf. 2.5p
British Vita 3.25p
Close Brothers 1.85p
Isotron 0.72p
Ratcliffs (G B) 0.75p
Reuters "B" 5p
Scottish Eastern Inv. Tst. 1.5p
Stoneo Grp. 1.85p
Treasury 13¼pc Ln. 1995 7.625pc
Union Intl. 7pc Pf. 2.45p

TOMORROW

COMPANY MEETINGS–
Arlington Secs., 1, Brewer's Green, Buckingham Gate, S.W., 12.00
BSR Intl., Cavendish Conference Centre, 20, Duchess Mews, W., 11.00
Cadbury Schweppes, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
Expamet Intl., Institute of Directors, 116, Pall Mall, S.W., 12.00
Flotex, Westbury Hotel, Conduit Street, W., 11.00
Geest, Springfields Restaurant, Spalding, Lincolnshire, 12.00
General Accident Fire and Life Assurance, Pitheavlis, Perth, 10.00
Ibstock Johnsen, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Invergordon Distillers, 9-21, Salamander Place, Leith, Edinburgh, 12.30
Linread, 75, Harborne Road, Birmingham, 12.00
Mackay (Hugh), Royal County Hotel, Durham City, 12.00
Pittard Gardner, Sherborne Road, Yeovil, Somerset, 12.00
Renwick Grp., Linacre House, Southernhay East, Exeter, 2.00
Steel Burrill Jones, 16, St Mary-at-Hill, E.C., 12.00
Unilever, Plaisterers Hall, London Wall, E.C., 11.00

BOARD MEETINGS–
Finals:
CCA Galleries
Comprehensive Financial Services
Croydon Beach
TDS Circuits
Interims:
Crestile Group
Royal Bank of Scotland

DIVIDEND AND INTEREST PAYMENTS–
Automagic Hldgs. 2.25p
CLF Hldgs. 1.16p
Continental Microwave 1.1p
Fleming Mercantile Inv. Tst. 2.85p
New Zealand 11¼pc 2008 5.625pc
Nicholls(J.N.)(Vimto) 4.8p
Sage Holdings 3p

THURSDAY MAY 5

COMPANY MEETINGS–
Aldis, 21, New Street, Bishopsgate, E.C., 12.00
BBA Grp., Norfolk Gardens Hotel, Hall Ings, Bradford, West Yorkshire, 11.30
Boddington, Holiday Inn Crown Plaza, Manchester, 11.45
Bowater Inds., Merchant Taylors' Hall, 30, Threadneedle Street, E.C., 11.00
Daniels (S), St. Botolph's Hall, Bishopsgate Churchyard, Bishopsgate, E.C., 12.00
Evans Halshaw, Monaco House, Bristol Street, Birmingham, 12.00
Fisher (James), Lisdoona Hotel, Abbey Road, Barrow-in-Furness, 12.00
Kleinwort Smaller Cos. Inv. Tst., 10, Fenchurch Street, E.C., 12.45

Rover, Intercontinental Hotel, 1, Hamilton Place, W., 10.00
Spear (J.W.), Richard House, Enstone Road, Enfield, Middlesex, 12.00
United Biscuits, Assembly Rooms, George Street, Edinburgh, 12.00

BOARD MEETINGS–
Finals:
Boot (Henry)
Capero Inds.
Highcroft Inv. Tst.
Hopkinsons Hldgs.
Interims:
Anglo American Coal Corpn.
Lawson Intl.
Rand Mines
Wellcome

DIVIDEND AND INTEREST PAYMENTS–
Barclays Overseas Inv. Co. BV Jan. Gtd. Undated Fltg. Rate Nts. $302.32
Bullers 1.5p
Christiania Bank OG Kreditkasse Prim. Cap. Und. FRN $404.44
Credit National 13½pc Gtd. Nts. 1992 6.75pc
Do. 13½pc Gtd. Nts. 1992 6.75pc
Dares Estates 0.4p
Edinburgh Fund Managers 5.5p
Esco Hldgs. 2.5p
H.T.V. Grp. 3.7p
Hydro-Quebec Fltg. Rate Nts. 2005 $372.25
Investment Trust of Guernsey 1.2p
Kode Intl. 10.5p
Paterson Zochonis 1.85p
Do. "A" N-V 1.85p
Pickwick 1.8p
Unidare 8.5p
Western Mining A$0.10

FRIDAY MAY 6

COMPANY MEETINGS–
Abaloco, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 3.00
American Trust, 4, Melville Crescent, Edinburgh, 12.15
Ayrshire Metal Products, 17, Church Street, Irvine, Ayrshire, 3.30
Beatson Clark, Hallam Tower Post House Hotel, Sheffield, 12.00
Bluebird Toys, Europa Industrial Park, Parsonage Road, Swindon, 11.00
Brooke Service, Grand Hotel, Bristol, 12.00
Church & Co., Northampton Moat House, Northampton, 12.30
Desoutter Brothers, Hendon Hall Hotel, Parson St., N.W., 12.00
Emess, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 10.30
Goal Petroleum, Browns Hotel, Albermarle Street, W., 12.00
Greggs, Gosforth Park Hotel, High Gosforth Park, Newcastle upon Tyne, 11.45
Laidlaw Thomson, Hotel Piccadilly, Manchester, 12.00
Low & Bonar, Bonar House, Faraday St., Dundee, 12.00
Mowlem, Salters Hall, Fore St., Barbican, E.C., 12.15
Oliver (George)(Footwear), Grove Way, Castle Acres, Narborough, 12.00
Palma, Grand Hotel, Leicester, 12.00
P & O, Connaught Rooms, 61-65 Great Queen St., W.C., 11.00
Ransomes, Sims & Jefferies, Nacton Works, Ipswich, 12.00
Refuge Grp., Refuge House, Alderly Road, Wilmslow, 11.30
Sherwood Grp., Butchers Hall, Bartholomew Close, E.C., 12.00
Silkolene Lubricants, Silkolene Oil Refinery, Derby Road, Belper, Derbyshire, 12.00
Tyndall, 18, St Mary-at-Hill, E.C., 12.00

BOARD MEETINGS–
Finals:
Eagle Trust

DIVIDEND AND INTEREST PAYMENTS–
Bermuda Intl. Bond Fund 30cts
Blue Circle Inds. 10¼pc Deb. 1994/99 5.125pc
Britton Estate 7¾pc 1st Mtg. Deb. 1987/92 3.875pc
Cadbury Schweppes 8¼pc 1st Mtg. Deb. 1994/2004 4.125pc
Cattles 1.5p
Courtaulds 6pc Red 2nd Pf. 2.1p
Do. 8¼pc Uns. Ln. 1994/96 3.25pc
Do. 7¼pc Uns. Ln. 1994/96 3.625pc
Delta 10¼pc Deb. 1995/97 5.375pc
Finlay 2.5p
Fisher (James) 1.9p
Hall (R & H) 3.9p
Inch Kenneth Kajang Rubber 4p
Jourdan (Thomas) 3.5p
Kleinfold 3.5cts
Lloyds Bank Sub. Fltg. Rate Nts. 1995 $364.97
Metal Box 10½pc Uns. Ln. 1992/97 5.25pc
Mitsubishi 10cts
Peters (Michael) 1.5p
Richardsons Westgarth 1p
Templeton, Galbraith & Hansberger 6.5cts
THORN EMI 7¼pc Uns. Ln. 1992/97 3.75pc
Do. 8½pc Uns. Ln. 1990/94 4.25pc
Do. 8pc Uns. Ln. 2004/09 2.5pc
Do. 7¼pc Uns. Ln. 2004/09 3.875pc
Tilling (Thomas) 8½pc Uns. Ln. 1989/94 4.25pc
Trustee Corp. 6.25p
Wessanen NV Fl.1.2
Whitbread 7¼pc Uns. Ln. 1995/99 3.625pc

SATURDAY MAY 7

DIVIDEND AND INTEREST PAYMENTS–
BBA Grp. 10pc Deb. 1993/94 5pc
Dewhurst Bros. 6.4p
Treasury 10½pc Cnv. 1992 5.25pc

SUNDAY MAY 8

DIVIDEND AND INTEREST PAYMENTS–
Tiphook Grp. 11¼pc Uns. Ln. 1991/96 5.75pc

PARLIAMENTARY

TODAY

Commons: Finance (No. 2) Bill, committee stage. Coroner's Bill. Motion on the first Scottish standing committee.

Lords: Court of Session Bill, third reading. Landlord and Tenant Bill, brief consideration. Education Reform Bill, committee. Motions on Redundancy Payments (Local Government) Order, and Meat and Livestock Commission Levy Order.

Select committees: Televising proceedings of the House. Witnesses: BBC and IBA. (Room 8, 5.15 pm.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

WEDNESDAY

Commons: Legal Aid Bill, second reading. Debate on Rover Group. Consideration of Lords amendments to the Immigration Bill and the Public Utility Transfers and Water Charges Bill.

Lords: Debate on the gap between manufacturing productivity in Britain and north-west Europe. Question on Government response to the comments on social security changes in the sixth report of the Social Security Advisory Committee.

Select committees: Defence: subject, use of merchant shipping and civil aircraft for defence purposes. Witnesses: Ministry of Defence and Department of Transport. (Room 16, 10.30 am.)

Trade and Industry: subject, information technology. Witness: Dr Robb Wilmot, chairman, OASIS (Room 15, 10.30 am.)

Welsh Affairs: subject, inward investment into Wales. Witnesses: Wrexham borough council and Delyn borough council. (Room 18, 10.30 am.)

Energy: subject, privatisation of the electricity supply industry. Witnesses: representatives from the Association of Independent Electricity Producers, the Combined Heat and Power Association and ICI. (Room 8, 11.0 am.)

Education, Science and Arts: subject, educational provision for the under-fives. Witnesses: National Nursery Examination Board and British Association for Early Childhood Education. (Room 17, 4.15 pm.)

Employment: subject, urban development corporations. Witnesses: Department of the Environment officials. (Room 8, 4.15 pm.)

Foreign Affairs: subject, famine in the Horn of Africa. Witnesses: Officials from the Overseas Development Administration. (Room 7, 4.15 pm.)

Home Affairs: subject, broadcasting. Witness: TUC. (Room 15, 4.15 pm.)

Public Accounts: subject, research into advanced information technology. Witness: Sir Brian Hayes, Department of Trade and Industry. (Room 16, 4.15 pm.)

Social Services: subject, resourcing the National Health Service. Witnesses: Dr M. Goldsmith, Mr D. Willetts, Dr E. Butler and Dr M. Pirie. (Room 21, 4.15 pm.)

Environment: subject, Department of the Environment main estimates 1988-89. Witnesses: DoE officials. (Room 20, 4.30 pm.)

Committee on a private bill: Hampshire (Lyndhurst Bypass). (Room 6, 10.30 am.)

THURSDAY

Commons: Debate on agriculture. Farmland and Rural Development Bill, remaining stages.

Lords: Education Reform Bill, committee. Motion on the Summer Time Order, 1988. Private bill committee: Hampshire (Lyndhurst Bypass). (Room 6, 10.30 am.)

FRIDAY

Commons: Private members' bills.

Trade Fairs and Exhibitions: UK

May 8-10
British Craft Trade Fair (0282 867153)
Harrogate

May 10-12
International Chilled Food Fair (01-727 1929)
NEC, Birmingham

May 10-13
International Telecommunication and Information Technology Exhibition - COMMUNICATIONS (021-705 6707)
NEC, Birmingham

May 15
Antique and Collectors Fair (01-883 7061)
Alexandra Palace

May 15-19
Shopex International and Point of Sale at SHOPEX (01-868 4499)
Earls Court

May 24-27
Chelsea Flower Show (01-834 4333)
Royal Hospital

June 7-9
International Services and Equipment for Aircraft and Airport Operators Exhibition - AIRPORT (0202 304641)
NEC, Birmingham

June 12-15
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-948 5166)
NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444)
Exhn & Trade Centre, Edinburgh

Overseas Exhibitions

May 3-6
International Vehicle Industry Suppliers Exhibition – SITEV
Geneva

May 6-12
International Construction & Material Exhibition - CONSTRUCT (01- 236 2399)
Shanghai

May 19-26
International Spring Fair (Technical) - BNV (021- 454 3385)
Budapest

June 8-12
International Wine Exhibition - VINOVA (01-977 4551)
Vienna

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-542 7688)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
Intrnational Chemical Fair INCHEBA (01-878 7778)
Bratislava

Business and management conferences

May 4-5
The Royal Institute of International Affairs (Chatham House): International capital flows and the future of financial markets (01-930 2233)
10 St James's Square, London SW1

May 5-6
Online Conferences: Dealing room – getting value for money (01-741 7477)
The Barbican Centre, London

May 9-10
Financial Times Conferences: Business with Spain (01-925 2323)
Madrid

May 11
IVCA: The use of film and video in training (01-580 0962)
C.F.S.C. Centre, London

DTI: Turkey - the tourism boom and British enterprise (01-381 1284)
RIBA, London

May 12
IPS Training: Varying contracts of employment – the new rules (01-354 5858)
Royal Westminster Hotel, London

May 13
The Economist: The marketing of marketing services (01- 839 7000)
Marriott Hotel, London

May 17-20
IMRA/EVAF: The changing face of information - implications for business and industrial marketing research (0543 263448)
Holiday Inn, Bristol

May 20
HS Conference Studies: Latest developments in the art and practice of financing property - getting to grips with the market (01-935 2382)
Cafe Royal, London

May 25-27
EVCA in association with Financial Times Conferences: Venture Symposium 88 - The internationalisation of venture capital (01-925 2323)
Hotel Inter-Continental, London

June 13-14
Financial Times World Gold Conference (01-925 2323)
Vienna

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Company Notices

AB ELECTROLUX

TO THE SHAREHOLDERS OF AKTIEBOLAGET ELECTROLUX

The Annual General Meeting of the Company will be held at Skandinaviska Enskilda Banken, Kungsträdgårdsgatan 8, Stockholm, Sweden, on Friday May 20, 1988, at 4.00 p.m.

Agenda
Matters prescribed by the Swedish Companies Act 1975 and by the Company's Articles of Association including, inter alia, presentation of the annual report and accounts and the auditors' report on the Company and of the consolidated annual accounts and the auditors' report on the Group; resolutions on the adoption of the profit and loss statement and the balance sheet and of the consolidated profit and loss statement and the consolidated balance sheet, on the appropriation of the Company's profit according to the adopted balance sheet; and resolutions on the Directors' and the Managing Director's discharge from liability and on the election of Directors, Deputy Directors, Auditors and Deputy Auditors.

Attendance at the meeting
Shareholders wishing to attend the meeting must be registered in the share register maintained by Värdepapperscentralen VPC AB not later than Tuesday May 10, 1988. In addition, they must notify the Company of their intention to attend the meeting not later than 4.00 p.m. on Tuesday May 17, 1988, either in writing to AB Electrolux, C-J, S-105 45 Stockholm, Sweden, or by telephone on +46 8 738 6793 or 738 6789.

Shareholders whose shares are registered in the name of a nominee, such as the trust department of a bank or a stockbroker, must temporarily have their shares registered in their own names by Värdepapperscentralen VPC AB not later than Tuesday May, 10 1988 to have the right to vote at the meeting.

A shareholder may attend and vote at the meeting in person or by proxy but in accordance with Swedish practice the Company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

Dividend
Provided that the meeting resolves to adopt the proposal of the Board of Directors, it is anticipated that the dividend will be distributed by Värdepapperscentralen VPC AB on June 2, 1988. The record date for the dividend will be Thursday May 26, 1988.

Stockholm, May 1988

THE BOARD OF AB ELECTROLUX

Electrolux

CHEMICAL NEW YORK CORP.
US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with the provisions of the Notes, Notice is Hereby Given that for the interest period from 29 April 1988 to 31 May 1988 the Notes carry an interest rate of 7⅛ per cent per annum.

The interest payable on the relevant interest payment date 31 May 1988 against coupon No 42 will be US$63.33 per US$ 10,000 Note.

AGENT BANK
CHEMICAL BANK

HILL SAMUEL GROUP PLC

To the holders of the U.S. $75 million Perpetual Floating Rate Notes and the U.S. $100 million Floating Rate Notes due 2016 of Hill Samuel Group Plc and of the U.S. $30 million Floating Rate Notes due 1996 of Hill Samuel Finance BV.

Copies of the report and accounts of Hill Samuel Group Plc for the period ended 31st October 1987 are available upon application to the Secretary, Hill Samuel Group Plc, 100 Wood Street, London EC2P 2AJ.

Company Notices

ANNUAL GENERAL MEETING
Shareholders in
Svenska Cellulosa Aktiebolaget SCA

are hereby summoned to the Annual General Meeting of Shareholders to be held at Berwaldhallen at Strandvägen 69 in Stockholm, Sweden on Wednesday, May 25, 1988 at 4.30 p.m.

Agenda
1. Matters to come before the meeting, as prescribed by law and the Articles of Association, include: presentation of the Annual Report and Auditors' Report for the Parent Company and Group; decisions concerning the adoption of the Parent Company's and Consolidated Statements of Earnings and Balance Sheets; disposition of profits as recommended in the adopted Balance Sheets; discharge of the Board of Directors and Managing Director from liability; and the election of Board members and auditors.
2. Authorizing the Board of Directors to reach a decision in the period until the 1989 Annual General Meeting of Shareholders, on a new issue of up to 1,800,000 shares of Class B nonrestricted stock on the American capital market and to thereby vary from shareholders' preferential rights.

The complete proposal for this authorization will be available at SCA Headquarters, Skepparplatsen 1, Sundsvall, Sweden, beginning on Wednesday, May 18, 1988.

Notice of intention to attend, etc.
Shareholders intending to participate at the Meeting must be listed in the register of shareholders maintained by the Swedish Securities Register Centre (VPC) no later than Friday, May 13, 1988 and notify SCA no later than 4 p.m. on Friday, May 20, 1988, either by mail to SCA, S-851 88, Sundsvall, or by telephone to +46 60 19 30 00 or 19 31 61.

To participate at the Meeting, shareholders whose shares have been registered in the names of nominees must temporarily re-register the stock in their own names at VPC. Such re-registrations must be in effect no later than Friday, May 13, 1988.

Persons intending to act as proxies on behalf of shareholders will be required to produce a written and dated power-of-attorney. Such power-of-attorney can be valid for no longer than one year from the date of issue.

Payment of dividends
Monday, *May 30, 1988 is proposed as the record date for determining* rights to dividends. If the same date is approved at the Meeting, VPC is expected to distribute the dividends on Monday, June 6, 1988.

Sundsvall, May 1988
THE BOARD

Svenska Cellulosa Aktiebolaget SCA

WORLD BANK

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT, WASHINGTON
6⅝% US$100,000,000
Swiss Franc-linked Bonds 1989

The Interest payable on Coupon No. 6 due on April 27 1988, as determined by the fiscal agent according to paragraph 6 of the Terms of the Bonds, is US$472.60 per bond of US$5,000 nominal.

Basle, May 1988.

Swiss Bank Corporation
Fiscal Agent

Contracts & Tenders

REPUBLIQUE DU TCHAD

COTONTCHAD

PROGRAMME D'URGENCE D'APPUI A *LA FILIERE COTON*

1. Le Tchad a Obtenu un credit (No1716 CD) de l'association internationale pour le developpement (IDA) en differentes monnaies, pour financer le cout du programme d'urgence d'appui a la filiere coton. Il est prevu qu'une partie des sommes accordees au titre de ce credit sera utilisee pour effectuer les paiements prevus au titre d'intrants agricoles.
2. La Societe Cotonniere du Tchad (Cotontchad) invite, par le present appel d'offres, les canditats admis a concourir a presenter leurs offres sous pli ferme, pour la fourniture des intrants agricoles cites ci-apres :

   Engrais NPKSB : Quantite : 9.300 tonnes

3. Les candidats admis a concourir peuvent obtenir des informations supplementaires et examiner les dossiers d'appel d'offres dans les bureaux de :

   Direction generale de Cotontchad BP - 1116 N'Djamena
   telex No 5229 KD Telephone : 51-41-32/51-20-62.

   Direction commerciale Cotontchad Paris
   13, rue de Monceau 75008 Paris
   Telex No 644 046 F.
   Telephone : 43-59-53-65

   Ambassade du Tchad a Paris
   65, rue des Belles Feuilles
   75016 Paris

4. Tout candidat admis a concourir, interesse par le present avis, pourra acheter un jeu complet de documents d'appel d'offres, sur demande ecrite aux services cities ci-dessus et moyennant paiement d'un montant non remboursable de 30.000 F.CFA (600 ff.)
5. Toutes les offres doivent etre accompagnees d'une caution de soumission d'un montant d'au moins deux (2) pour cent de la valeur de chaque lot pour lequel une proposition est faite. Cette caution doit etre deposee comme partie integrante de l'offre a l'adresse ci-apres au plus tard le 15 juin 1988 sauf modification de date qui sera announcee officiellement aux candidats.

Les offres seront recues a la direction generale de cotonchad
B.P. - 1116 N'Djamena Tchad

Les dossiers seront disponibles aux adresses ci-dessus mentionnees a compter du 2 mai 1988

REPUBLIQUE DE COTE D'IVOIRE
DEUXIEME PROGRAMME ROUTIER
FINANCEMENT BANQUE AFRICAINE DE DEVELOPPEMENT

AVIS D'APPEL D'OFFRES

Le Ministère des Travaux Publics et des Transports procède au lancement de l'appel d'offres pour la construction de la route Guiglo-Bloleguin (61,600 km environ) : chaussée revêtue de 7,40 mètres de largeur; accotements revêtus de 1,80 mètre de largeur; terrassements : 1.553.000 m3.

Cet appel d'offres est ouvert aux entreprises et regroupement d'entreprises satisfaisant aux conditions d'éligibilité des opérations financées par la Banque *Africaine de Développement.*

Les dossiers sont à retirer dés le 30 avril 1988 à l'adresse suivante :

Direction et Controle
des Grands Travaux
Ancien Hotel des Relais Aériens
Corniche de Cocody
04 BP 945 ABIDJAN 04
Téléphone : 44 - 28 - 05
Télex : 26 193 DCGTX CI

La date limite de remise des offres est fixée au lundi 4 juillet 1988 à 18 heures au plus tard à l'adresse indiquée ci-dessus.

Imperial War Museum/William Packer

Nash's view of the trenches

PAUL NASH was a great artist, and he bears direct comparison with the greatest of his contemporaries. It is a large and perhaps unexpected claim to make, especially in the light of our habit of denigrating our artists as never more than second rate. But critical perspectives do shift with time, and with every fresh appearance of his work it grows more impressive, more original and ever more profound in its achievement.

Through the Fire is a small exhibition in the temporary exhibition gallery of the Imperial War Museum (until September 4), of the drawings and studies that Nash made while serving in Flanders during 1917, and some of the larger works that came out of the experience.

In the spring of 1917 he was 27 years old, a newly commissioned subaltern of the Hampshire Regiment on active service in the Ypres Salient, that was and remains notorious as one of the most God-forsaken sectors of the entire Western Front. It was, for the Salient, a fairly quiet time, but even so dangerous enough and, late in May, Nash was lucky to be invalided home with a damaged rib a mere three days before a dreadful attack on Hill 60, in which two in three of his fellow officers were killed.

Back in England he was able to work up his material as he recovered from his injury, and a show of some 20 of his drawings, at the Goupil Gallery in Regent Street in midsummer, was well received. Knowing he would be sent back to the Front in any case, he sought an appointment as an official war artist under the scheme administered by the Department of Information. After persistent effort on his part, he was seconded to the Department for a month, but in the event remained a war artist for the duration. Keeping his rank, he was back in the Salient in November just as the Third Battle of Ypres, which we know as Passchendaele, was finally sinking exhausted into the mud.

In the spring, while not insensitive to the circumstances of the War, he had been intrigued and even exhilarated by the visual excitement the landscape and material of the War afforded him. Now the discovery of that same landscape so unspeakably transformed by the recent battles, on such an inhuman scale of devastation, moved him deeply. "... no glimmer of God's hand is seen anywhere," he wrote. "Sunset and and sunrise are blasphemous, they are mockeries to man ... one huge grave, and cast up on it the poor dead ... I am no longer an artist interested and curious, I am a messenger ... " And it is the work of this messenger that makes up this show.

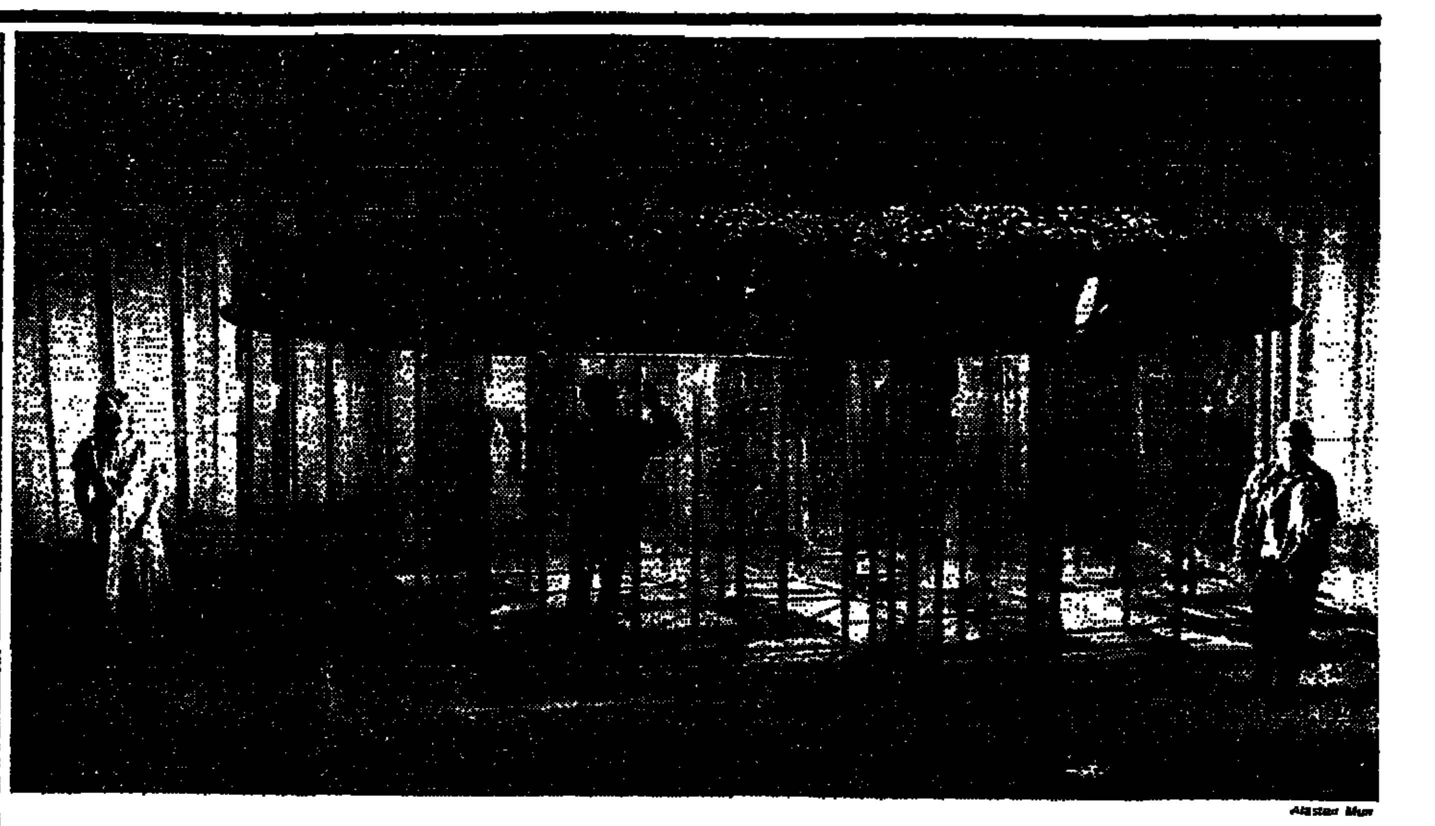
But the messenger remains manifestly the artist, and it is by the art, not the message, that the demonstration is made. In working up the studies he made on the spot, he turned to oil paint on canvas for the first time, but there is nothing experimental in his use of it. Rather, he achieves an authority in the work that mark the artist at one with himself; in his intentions, and with the work as it is. Most astonishing of all is the huge canvas of "The Menin Road," some seven feet by ten in which, as in all his work, anonymous soldier figures move through the nightmarish landscape, both informing it and yet insisting upon its very desolation by their presence. He gives us not the image of actual battle, but its aftermath; the soft winter sunshine that picks out the shattered trees along the Menin Road only seems to make it worse.

Spring in the Trenches, Ridge Wood, oil on canvas, 1918

The Department was perfectly happy with the work Nash submitted, although one Colonel Lee, the censor, did wonder aloud that he might be having "a huge joke with the British public, and lovers of Art in particular." For Nash was making no concessions to conventional taste in what he did, but was working fully with the immediate currency of modern art. Before the war, he had been numbered among the small group of British post-impressionists and cubists, and we should remember that Cezanne had been dead barely a dozen years and high Cubism itself not yet ten years old.

But here it is an unself-conscious modernism adapted and transmuted by circumstances – and none the worse for that. "My subject is War, and the pity of War" said the poet, Wilfred Owen, and so it was for Nash and so many of the War Artists. It is a strange paradox of our cultural life that, for the most part indifferent to the artists we produce, in extremis we should commission them not to propagandise in any crude sense, but simply to be true to themselves and their experience of war.

The Imperial War Museum is the great repository of their efforts and thereby the holder of one of the most comprehensive collections of Modern British Art. This group of Nash's works are merely a wonderful taste of what there is to see, when the museum's special galleries, now in process of reconstruction, come back to use next year.



Alastair Muir

Tippett's conception of a formal knot garden requires the characters to be almost continuously visible

The Knot Garden/Covent Garden

David Murray

If Michael Tippett's third opera remains a problematic piece, Nicholas Hytner's new Royal Opera production is at least a dazzling exercise in problem-solving.

Sponsored by Glenlivet Distillers, it was premièred on Friday at a Midland Bank Prom, perhaps with the canny intention of getting a first response from a relatively fresh audience. There was a further youth-interest factor: the Covent Garden début – resoundingly auspicious, as it turned out – of the first woman to conduct there, 28-year-old Sian Edwards.

The *Knot Garden* was the '60s English opera (R.D. Laing and Home Counties' Jung, with a shuddery sense of a tough world beyond this island) that somebody had to compose. Luckily, more or less, but all in all more luckily than less, Tippett was at the ready. (The electric guitar wasn't, yet; only now is the difficult part that he wrote for it actually played – by Steve Smith, though uncredited in the programme, and to irreplaceably pop-vivid effect.) He conceived a volatile septet of modern characters: a comfortably-settled couple who are almost estranged, their 'difficult' ward, three equally fractious house-guests, and a psychoanalyst-magus modelled on Shakespeare's Prospero.

Instead of a plot, there's a series of partner-changing confrontations divided by cinematic jump-cuts, each a violent moment captured in a lightning-flash. Especially in Act 2, Tippett's score is correspondingly dense and impacted, as if by reaction against his expansive *King Priam* myth-opera; the more transparent music for the *Tempest* charades, which the analyst instigates in Act 3, leaves the artifice somewhat awkwardly exposed. His stage conception – a formal 'knot garden' which is at once a haven, an arena and a labyrinth – requires his errant characters to be almost continuously visible, whereas the jump-cut style presupposes an unseen before-and-after for each distilled vignette.

They might spring to direct life if their lines were distinguishable, but from where I sat they mostly weren't: partly because the opera hasn't been cast from great vocal strength, partly because of Tippett's aggressive orchestra (and Miss Edwards underestimated the power of a snare- or side-drum to obliterate words). There was a lot of peering at programme-books to discover who was (psychologically) doing what to whom; for once, surtitles would be less distancing.

On the other hand, the Edwards orchestral reading is so abrasively gripping and detailed that each of the three acts – average length under half an hour – seems dramatically saturated.

Hytner's handling of the *dramatis personae*, not so very different from Peter Hall's in the original production (I regret having missed David Freeman's chamber-version for the Opera Factory four years ago), is strikingly backed by Bob Crowley's designs: not only a revolving garden over a subterranean Perspex labyrinth, but a looming cityscape beyond and a false rose-covered wall between. Nobody offers less than a fair cartoon of his or her character, but Anne Howells' genteel, frustrated wife and Linda Kitchen's brightly *distraite* ward stand out through exact mime and voice.

Everything about Christopher Gillett's gay musician (a figure sketched *con amore*) is right except – for a house of this size – his under-powered tenor, though he makes some of Tippett's worst lines audible: would-be American locutions like 'so mighty high' bruise North American ears like mine. Arthur Thompson is sturdy and unembarrassed as his black lover; the other baritones are Alan Opie as manipulating analyst and Rodney Macann as seething husband, both of them solid but largely unintelligible.

At short notice Anna Steiger has come up with a game 'freedom-fighter', if more of a games-mistress than her anguished soprano line would suggest. The fierce intensity with which Tippett's knotty music is projected still makes this a performance which any opera-lover would be the poorer for missing.

A Family Affair/Donmar Warehouse

Michael Coveney

Cheek By Jowl have been on the road since the end of February with this stingingly funny version by Nick Dear of Ostrovsky's *A Family Affair*. Arriving in Covent Garden, where it plays until May 21, Declan Donnellan's production, cuttingly well designed and costumed by Nick Ormerod, is now tuned at irresistible farcical fever pitch.

The play made Ostrovsky's name in 1850, upset the Muscovite merchant class, was banned by the Tsar, and cost the author his job in the civil service. This British première reveals Ostrovsky in his true realist satirical colours for the first time here, pace various revivals of *The Storm* and Adrian Noble's fine *The Forest* for the RSC. The piece is mercilessly ferocious in the vein of Gogol's 1842 *Marriage*, a play memorably revived by Shared Experience a few years ago.

As in the Gogol, a professional matchmaker is called in to fix up a merchant's daughter, Lipochka. Business is bad, and a slovenly vodka-swilling lawyer convinces Bolshov that his deeds should be turned over to the young assistant, Lazar. Lazar moves into the driving seat, extends the grocery store chain, wins over Lipochka and leaves Bolshov unassisted in the creditors' prison. Bolshov (Tam Dean Burn) is a muddled, unheeded beggar at his own family's feet in the last act.

It is a tale of ruthless upward mobility, with all concerned after a slice of the action in a world where nothing of any moment or consequence is deemed possible without capital. The savage, Gogolian realism is untempered with sentiment or even charm. The actors are in a continuous gyrating, insinuating convulsion, sloping on to leer at the audience and join a snake-like, hissing dance of greed and back-scratching.

They assemble in a family album pose flanked by squat pillars of religious icons and anamorphic heads. At moments of high excitement, they resort to blustery, stabbingly nostalgic song and extravagant dance (fine musical direction by Colin Sell). There is a magnificent swirling climax to the third act wedding pact which dissolves into the hard, grey-striped "new money" household of the vengeful employee and resentful daughter.

Ostrovsky's renowned command of the vernacular is rendered by Mr Dear (from a literal translation by David Budgen) in language of lacerating vulgarity. Marcia Warren, poisonously conspiratorial as the matchmaker, deals in such ingratiating compliments as "What an accomplished speaker you are; all the words in the right order and everything." A repulsed suitor begs for one word and gets "moron."

The vigorous extravagance of the playing is in itself a reflection of the characters' craven stupidity. Even the large jolly housekeeper, delightfully played by Annette Badland in a lilting Welsh accent, has pretensions skewered on her pronunciation of a chaise longue as "a cheese lunge." Anne White's mother has features that tighten into steely grimaces at the hint of any social discomfiture.

Two performances especially stand out. Lesley Sharp's Lipochka progresses from spoilt romantic brat to spoilt opportunistic brat. She settles for Lazar and, like a ringleted show poodle, squeezes into a lacey pink wedding dress and a life of mean materialism. Looks that once killed are now dead behind her eyes.

Timothy Walker follows his startling, neurasthenic Malcolm in this company's *Macbeth* with an explosively foul and sweating alcoholic lawyer, lank hair smeared down his face like seaweed, hand shaking for the morning's first drop, horsey legs prancing shakily round the dressage ring en route to the knacker's yard.

The use of direct address in this play has misled one commentator into thinking there must be a myriad other characters here deleted. The audience is greeted and baited throughout, Adam Kotz's coolly rapacious new boss calling the shots in an uproarious "lights-up" finale that once again shows director Donnellan exerting masterful, fluent control.

Sinners and Saints/Croydon

It beats me how this comedy ever made it past the script reader's basket. It is clumsily structured, ridiculously overburdened with social conscience – yet in Celia Bannerman's production it is also very funny.

Take this for starters: a gay do-gooder and his anorexic flatmate befriend a legless, incontinent mute who has fallen hopelessly wide of the social services net. Much of the first act involves the swabbing of bottoms and the changing of soiled linen (all done in the best possible taste behind a strategically raised sheet).

It might sound like the theatre's riposte to television's *Soap*, yet when it comes to social injustice James Mundy makes it quite clear he is not joking at all. Stephen (who is also a rent boy) is both sinner and saint. He "borrows" money from the helpless Ben to finance a date and then hires himself out to get it back, occasioning the second act confrontation with a guilt-ridden aristocrat.

Paradoxically, the play is happiest among the nappies and towels of the early scenes, carried along by an extraordinary unspeaking performance from John Arnatt, as the cunning old invalid (who is also a Branston pickle addict).

The decline in the second act is due partly to Arnatt's relegation to the sidelines, partly to the episodic ramble of scenes introducing Angus Mckay as a hand-sniffing neurotic from a dying line.

Claire Armitstead

Drumming/Barbican

Richard Fairman

For the climax of Percussion 88 the festival organisers set up performances in Bristol and London (at the Barbican on Friday) of Steve Reich's *Drumming*, one of the most ambitious pieces written for mixed percussion and a crucial step in the development of the minimalist style. It has not been heard complete in London for 15 years.

As well as being a noted staging-point for minimalists in general, the work is central to Reich's own path of development as a composer. By this point (the piece was finished in 1971), all the mature points of his style were safely on board: the musical language that he had absorbed studying African drumming at the University of Ghana the year before forms a clear basis, and he is also well on the way to working out sophisticated ideas on how to organise rhythms and textures.

The music starts with a steady drum beat. To this a second player is added, in unison at first but then drawing fractionally away so that the two lines in parallel form a syncopation, and from this extension and elaboration of the simplest possible idea the whole piece is formed. There are precise mathematical formulae at work and the general impression the piece gives, as the rhythms move between drums, marimbas and glockenspiels, is of a remarkable, machine-like science.

Whether all this is enough to justify its length (the work lasts about 75 minutes) is another question. Like all minimalist music, the score depends on extensive repetition of its basic ideas, so that any change in harmony or texture should make the maximum effect; and yet those ideas are so commonplace in themselves, they hardly begin to hold the attention. There is a paradox at the root of the minimalist style and *Drumming* is no more successful than most in finding an answer to it.

For this performance, an apparently well-drilled affair, the Canadian group Nexus combined forces with Hungary's leading percussionists Amadinda and a handful of guest British artists. Reich's idea of using singers to provide a wordless, rhythmical overlay at some points risks topping the whole with a Swingle Singers-style icing, but Sarah Leonard and Nicole Tibbels were so discreetly amplified as to be barely audible. Any human intrusion would in any case be quite inappropriate.

Jill Gomez/Wigmore Hall

Richard Fairman

Only the long cigarette-holder was missing. The dramatic entrance of Jill Gomez for the second half of this recital, sporting a flame-red stole, long black gloves and a sultry look worthy of Dietrich, should have left none of the audience in any doubt that this programme had made an irreversible change of direction during the interval.

The recital came with the enticing, if not entirely appropriate, title "Songs for the Night". While the popular music of French composers such as Poulenc and Satie has never lost its appeal (Satie's "Diva de l'Empire" regularly struts up and down Piccadilly even now), it is often forgotten that their contemporaries in Berlin and Vienna also had a lighter side, penning the occasional cabaret song and making arrangements of waltzes by Strauss.

The popular songs of Schoenberg date from his time at the Uberbrettl cabaret theatre in Berlin. They are mostly straightforward romantic melodies and Jill Gomez delivered them with an attractive warmth, though the Lehar-like "Arie aus dem Spiegel von Arcadien" with its silly "Bum, bum, bum" chorus asks for, and was given, a dash more effervescence. A pair of songs from Zemlinsky's Op 27, all blues harmonies and smoke-filled atmosphere, were a real find.

Whether Wolf saw the songs of his Italian Songbook in this light I rather doubt, and it seemed dubious of the programme notes to imply that he did. The four that we heard in the second half were delivered in the same cabaret style with Gomez acting out the characters as if they too came from Broadway shows (a selection of solos from Weill's American stage works were about to bring the recital to a delightful end).

At least, though, the texts were put across with more point than had been the case with the Lieder before the interval. Too often in these, a few of Mahler's early *Wunderhorn* settings and some other Wolf, the consonants were swallowed and words disappeared, leaving John Constable's fine accompaniments the main focus of interest. Perhaps the stole and gloves should have gone on earlier.

Saleroom/Antony Thorncroft

From squiggle to urinal

The Andy Warhol sale, nigh on 3,500 lots of it, finally expires at Sotheby's in New York today. It has gone in line with expectations, producing by Saturday night a running total of almost $17.5m (£9.3m), which will be boosted to over $20m by the contemporary art section still to come.

Prices for bizarre items with no real value – like the cookie jars and cheap jewellery – have far exceeded estimates, as private collectors competed for their personal momento of the rogue artist, but the more serious fruits of Warhol's buying mania tended to go at around the top end of their forecast.

Some Paul Klee squiggles of 1928 sold for £152,941 while a "Tete de femme" by Picasso more than doubled its estimate at £152,941. Perhaps of more interest was another head, this time of Jackie Kennedy as captured in 1963 by that chronicler of mid America, Norman Rockwell: it sold for £15,213.

At the other extreme of taste and refinement a urinal made in 1964 by Galleria Schwarz in Milan in imitation of the famous urinal which Marcel Duchamp acquired and submitted to the New York Independents Exhibition (unsuccessfully) in 1917 sold for £36,559. Duchamp believed that an artist by the act of selection makes a common object, a "readymade," a work of art, and he was able to persuade many collectors to his viewpoint.

Warhol's eclectic taste incorporated Victorian and Edwardian art, and a painting, "The wind" by the British artist David Wilson, executed in 1920 and showing two children, and a goat, straining against the wind, sold for an artist record price of £58,511, many times its estimate. Nine etchings by Duchamp, from an edition of 150, went to a Japanese collector for £23,989. Among the photographic prints the work of Man Ray was much in demand. A print of the artist Dora Maar sold for £19,016, and of Nancy Cunard for £6,471. Eleven photographs of Marilyn Monroe, the source of much artistic inspiration for Warhol, by Philippe Halsman and Bert Stern realised £4,118.

Warhol may have had a reputation as the King of the avante garde, but he furnished his East Side mansion very comfortably and conservatively. His furniture commanded some fierce bidding. An early 20th century Egyptian revival parcel gilt and painted armchair, made by French of New York, sold for £91,176 (against a $6,000 top estimate) and a bronze group by Gerome, depicting a nude woman sitting on a block of stone, went for £70,588, also way above estimate. A classical carved and inlaid mahogany sideboard, attributed to Joseph Barry of Philadelphia, and dated to around 1820, made £55,882.

Among the American folk paintings, two little girls with red dresses and white pantaloons by Joseph Stock found a new home at £45,588, and another famous piece of Americana, a Mr Punch figure of around 1875, six feet high and once an advertisement outside a tobacco store, sold for £41,176.

Arts Guide

29 April - 5 May

Music

LONDON

Irving Berlin: a centenary tribute to the American composer presented by the BBC Radio Orchestra, conducted by Neil Richardson, and introduced by Benny Green with help from Georgie Fame, Helen Shapiro, Mary Carewe, Edmund Hockridge and the Neil Richardson Singers. Royal Festival Hall (Mon) (928 3191).

City of Birmingham Touring Opera performing Verdi's Falstaff, conducted by Simon Halsey. The Elizabeth Hall (Mon, Tue).

Royal Philharmonic Orchestra conducted by Michiyoshi Inoue with Jon Kimura Parker on the piano playing Mozart. The Festival Hall (Tue).

Hallé Orchestra, conducted by Stanislaw Skrowaczewski, with Ernst Kovacic, violin: Mozart, Berg, Tchaikovsky. The Festival Hall (Wed).

Sir William Glock 80th Birthday Concert: London Sinfonietta, conducted by Elgar Howarth; Ensemble Intercontemporain conducted by Pierre Boulez: Birtwistle, Stravinsky, Boulez. The Elizabeth Hall (Wed).

English Baroque Soloists, conducted by John Eliot Gardiner; Malcolm Bilson piano: Mozart, Haydn. The Elizabeth Hall (Thur).

London Symphony Orchestra, conductor Yuri Ahronovitch, Salvatore Accardo, violin: Berlioz, Beethoven, Brahms. The Barbican Hall (Thur) (638 8891).

NEW YORK

Academy of St Martin-in-the-Fields: Sir Neville Marriner conducting; Mozart, Tippett, Beethoven (Mon). Carnegie Hall (247 7800).

New York Philomusica, Robert Johnson artistic director: Mozart, Harbison, Dohnanyi (Mon). Merkin Hall (362 8719).

Kalichstein-Laredo Robinson Trio: Zwilich, Brahms (Tue). Kaufmann Hall (996 1100).

New York Philharmonic: James De Preist conducting, Glen Dicterow, violin; Faure, Saint-Saens, Walton (Tue). Zubin Mehta conducting, Martti Talvela (bass): All-Mussorgsky programme (Thur). Avery Fisher Hall (874 2424).

Castro/Schwartz/Zoerning Trio. Works for flute and strings by Haydn, Bach, Couperin, Mozart (Wed, 12.30 free) Juilliard Concerts at the IBM Garden Plaza, 56th & Madison.

Lark Quartet: Beethoven, Shickele, Dvorak (Thur). Kaufmann Hall (996 1100).

Pittsburgh Symphony. Michael Tilson Thomas conducting, Janice Taylor (mezzo-soprano); Mahler (Thur). Carnegie Hall (247 7800).

WASHINGTON

National Symphony. Mstislav Rostropovich conducting; Mendelssohn, Debussy, Schumann (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony: Sir George Solti conducting; Vivaldi, Villa-Lobos, Haydn, Beethoven (Thur). Orchestra Hall (435 8111).

PARIS

Mozart's Requiem: Beethoven's Grand Fugue by the Ensemble Vocal J. Ibert de Tours and Orchestre Français d'Oratorio, conducted by Dominique Rouits (Mon). Saint-Roch Church (42 61 5326).

Samuel Ramey, bass, Warren Jones, piano: Handel, Purcell, Schubert, Ravel (Tue) Theatre des Champs Elysees (47 20 36 37).

Ensemble Orchestral de Paris conducted by Armin Jordan, Maria Joao Pires, piano, Ensemble Vocal Michel Piquemal: Beethoven, Brahms (Tue) TMP-Chatelet (42 33 44 44).

Emerson Quartet: Haydn, Beethoven, Schubert (Wed) Salle Gaveau (45 63 20 30).

Orchestre National de France conducted by Emmanuel Krivine, Jean-Pierre Rampal, flute: Rimski-Korsakov, Khatchaturian, Franck (Wed) Radio France, Grand Auditorium (42 30 15 16).

Ensemble Moderne conducted by Ernest Bour: Germany 1 - Hans Eisler, Hans-Juergen von Bose, Nicolaus Huber, H.W.Henze (Thur). Centre Georges Pompidou, Grande Salle (42 78 79 95).

Nouvel Orchestre Philharmonique and Radio France Choir conducted by Jerzy Semkov with Zylis-Gara, Rappe, Ochman; Szymanowski, Brahms (Thur). Theatre des Champs Elysees (47 20 36 37).

Maria Tipo, piano: Beethoven (Thur) Salle Pleyel (45 63 07 96).

ITALY

Rome: Auditorium in via della Conciliazione. A selection of Beethoven piano sonatas played by Bruno Leonardo Gelber (Fri) and David Shallon conducting Bernstein's overture to Candide, Rachmaninoff's Rhapsody on a Theme of Paganini (with pianist Jorge Bolet) and Stravinsky's Rite of Spring (Sat, Mon, Tue) (65 41 044) Auditorio del Gonfalone 33/A) violinist Claudio Laurita and Fausto Anzelmo (viola) playing Alessandro Rolla and Mozart (Thur) (65 75 952).

Milan: (Teatro alla Scala) (violinist Salvatore Accardo and pianist Bruno Canino playing Schubert, Beethoven, Cesar Franck and Paganini (Mon) (80 91 26).

Florence: (Maggio Musicale) Teatro Comunale. The pianist Radu Lupu playing Haydn and Schubert (Sat) and (Wed). The pianist Mikhail Pletnyev playing Tchaikovsky (27 79 236).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic with vocalists and choir: Schonberg, Beethoven (Wed). Recital Hall: Lucia Meeuwsen, soprano, Richard Frederickson, double bass, and Aldert Vermeulen, piano: Hiquet, Tchaikovsky, Glinka, Bottesini (Tue). (71 8345).

The Hague, Philipszaal. The Netherlands Philharmonic Chamber Orchestra conducted by Lev Markiz, with Oleg Maisenberg, piano: Janacek, Beethoven, Tchaikovsky (Mon). (60 98 10).

Rotterdam, Doelen. Richard Conlon conducting the Rotterdam Philharmonic Orchestra: Mahler (Thur). (413 2490).

Utrecht, Vredenburg. Recital Hall: The Royal Oratorio Society: Haydn (Tue). The Netherlands Chamber Choir under John Alldis: Eisler, Martin, Shostakovich (Thur). Recital Hall: Eliane Rodrigues, piano: Villa-Lobos, Granados (Tue). (31 45 44).

FINANCIAL TIMES

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Tuesday May 3 1988

A dialogue with Japan

Not for Mr Noboru Takeshita, Japan's Prime Minister, are the assertive positions beloved by his predecessor, Mr Yasuhiro Nakasone. Such reticence would appear to be a serious handicap, but Mr Takeshita, who is visiting London today, possesses a more than offsetting advantage in the remarkable performance of the Japanese economy. He has the good fortune to be in the right place at the right time. In early 1987 Japan's economy was widely expected to grow by between 2 per cent and 3 per cent, the Government's forecast of 3.5 per cent being received with some scepticism. In the event, gross national product is estimated to have grown by some 4 per cent, with domestic demand growing by 5 per cent. Rapid growth has been associated with a decline in the current account surplus, from a peak of 4.3 per cent of gross national product in 1986, to 3.1 per cent by the last quarter of 1987. In addition, manufactures accounted for 44 per cent of imports in 1987, against only 32 per cent in 1985.

The Louvre Accord stimulated the improved performance, by encouraging a loosening of monetary policy and confidence in greater exchange rate stability. Also important were the delayed impact on real incomes of the yen appreciation of 1985 and 1986 and the wealth-effect of the boom in the prices of both equities and land. Fiscal policy made a contribution, too. In addition to the direct effects, there was the boost to confidence given by the defeat – not temporary, one hopes – of the Ministry of Finance's long-standing obsession with the fiscal deficit. For 1988 there is every reason to expect GNP growth of at least 4 per cent, along with a reduction in the current account surplus, perhaps to 2.5 per cent of GNP, and increased imports of manufactures.

Safeguard action

With such an economic background, what can European leaders sensibly ask of Mr Takeshita during his visit? Equally important, how can he best exploit his right to make demands of them? Politicians in Europe will probably focus on the niggling concerns that are, unfortunately, the principal coin of the relationship. Taxes on liquor and large cars are outstanding issues. It is to be hoped, however, that European leaders can transcend such trivia, remembering that they are talking to the prime minister of an economic superpower, a nation whose GNP, at current exchange rates, is just below $3 trillion. With inflation no problem, they should suggest that the Japanese Government attempt to keep real domestic demand growing at 5 per cent a year. The target of 2 per cent of GNP for the current account surplus, as set out in the Maekawa report, can be accepted, provided the money goes increasingly to developing countries. They should point out, therefore, that Japan's aid effort is still below the OECD average.

Equally important is growth of imports of manufactures, whose ratio to GNP remains very low by international standards. The test of openness is continued growth of imports from the unquestionably competitive Asian newly industrialising countries. Mr Takeshita has the right to make demands of the Europeans, too. His complaint is likely to be how the European Commission uses anti-dumping measures as an alternative to selective safeguard action. But the most important economic issue is the failure of major Western European countries (except the UK) to achieve a performance that comes close to Japan's, the major culprit being West Germany. Equally, Mr Takeshita should remind Europeans that the paranoia which labels the liberalisation of the internal market a "free gift" to his country will mainly damage the European themselves.

Justified demands

With the US facing severe international economic difficulties and a Presidential campaign, a heavy responsibility now falls on Japan and the European Community. One hopes for vision and promises of appropriate action. One fears minor niggles from the Europeans, airy nothings from the Japanese and agreement only to resist agricultural liberalisation, one area in which US demands are fully justified. On the contrary, Europeans and the Japanese should agree to accelerate all aspects of the Uruguay round negotiations. Will Japan, under Mr Takeshita's leadership, exploit her present opportunity for providing far-sighted leadership in areas such as this and, if so, do Europeans have the courage to respond?

Higher standards in British schools

THERE IS no controversy about the need to raise educational standards in British schools. Many 16-year-olds enter the jobs market lacking both technical skills and even a rudimentary understanding of English, mathematics and science. But there is strong disagreement about the means to the desirable end of higher standards. The Thatcher Government seeks a solution through an all-embracing national curriculum and the imposition of rigorous assessment and testing, starting at the age of seven. Many educationalists, however, would back a less prescriptive approach and a flexible curriculum that recognises the differing needs and backgrounds of children.

The Kingman Report on teaching English, published on Friday, could play a pivotal role in the debate. The snap judgment of ministers was to play down its significance. The kindest word Mr Kenneth Baker could find for the report was "interesting", and he seemed keener to discuss the role of a new working party on English than the achievement of Sir John Kingman and his colleagues.

Obvious route

The lukewarm reception was hardly surprising. The Kingman Committee failed to recommend a return to old-fashioned grammar teaching and learning by rote; indeed, it gently mocked this approach, describing it as "ineffective" and "inadequate." English, ran its argument, is a dynamic living language, not a branch of Latin. But the committee was also careful to reject the excesses of the 1960s "anything goes" approach." It admits that in some schools, English lessons have become no more than the setting for a "vigorous moral and social discussion."

On this view, old-fashioned grammarians were right to worry about the structure of language, but failed to get across their message in an accessible and relevant form. The 1960s radicals were right to raise English to the social and personal needs of modern schoolchildren, but wrong to ignore structure. The Kingman Report takes the obvious route forward, which is to build on the strength of both traditions and create a new curriculum that combines concern for structure with concern for relevance.

The Government may instinctively dislike this kind of compromise. Yet there are good reasons for believing that educational reform will be successful only if it has the broadest possible backing. Mr Baker can impose the curriculum and testing techniques of his choice on schools, but he cannot legislate for higher standards. The wrong sort of curriculum and the wrong kind of assessment will demoralise teachers and ensure that children learn less rather than more.

Teacher quality

The Government thus has to resist the temptation to impose its own pet solutions. Most of the present Cabinet were educated 40 or more years ago; turning the clock back to the 1940s or earlier is unlikely to help Britain grapple with the challenges of the next century. This is particularly true in the case of assessment and testing. Old-style examinations were mainly crude tests of memory. Most children emerged from the educational system thinking of themselves as "failures." The hope must be that assessment in future will be diagnostic in nature – designed principally not to rank one child against another, but to identify individual shortcomings early enough for schools to have a chance of putting them right.

In seeking to raise standards, Mr Baker must also accept that curriculum and assessment changes will serve little purpose unless the training and quality of teachers is also improved. The Kingman Report noted that 28 per cent of English teachers had no qualification beyond O-Level English. The position is worse still in maths and physics where many teachers have no relevant qualification. It will not be possible to raise children's standards without first improving those of their teachers.

Christopher Bobinski and Margaret van Hattem examine the latest disturbances in Poland

Reform stumbles over unrest

IF IT had not been for a strike going on at the giant Krakow Steelworks, May 1 in Poland would have been much the same as in previous years.

The authorities brought out masses of people to march in their official parade; the riot police as usual stopped the much smaller groups of Solidarity supporters from moving from church services on to rival demonstration.

But coming after a week which started with a 12-hour public transport strike in the northern city of Bydgoszcz and ended with a stoppage at a large engineering works, Huta Stalowa Wola, in the south, there was a sense of urgency both for the Government and the Solidarity opposition.

The first news of the stoppages, now reinforced by reports of a strike in the legendary Lenin Shipyard in Gdansk yesterday in sympathy with the Krakow steelworks, all evoked memories of the summer of 1980. Then strikes rolled across the country climaxing in the Baltic ports and producing as a result the Solidarity free trade union which was crushed by martial law 16 months later.

Ever since that wintry day on December 13, 1981, the Polish authorities, led by General Wojciech Jaruzelski, have struggled to achieve economic improvements while blocking any political aspirations which would permit a return of the Solidarity movement.

Initial successes on the economic front were followed by economic stagnation in the mid-1980s. Economic reforms were blunted by a conservative bureaucracy and the country suffered from a tough line by Western governments on fresh loans.

Its $40bn debt has been a heavy burden for Poland, slowing down the modernisation of industry and curbing export prospects. Recently, though, in response to a reforming Soviet leadership, Warsaw has decided to reinvigorate attempts to decentralise management and now hopes to *impose the rigours of the market* on a highly monopolised economy.

One of the first and most politically risky steps taken was a round of price rises which started to come into effect on February 1.

In 1980 it was a small price increase for the better brands of meat which provided the trigger for the strikes. This time the undergrowth has been smouldering since price rises began accelerating in February, producing a 45 per cent increase in the cost of living in the first quarter compared with the previous year.

The price rises – designed to induce energy savings and cut subsidies on consumer items – are part of the economic reforms where success depends on achieving a balance between supply and demand.

But for weeks now, workers have been pressing for wage increases through short unpublicised stoppages or threats of strikes. As a result, incomes for in the first three months of the year rose by almost a percentage point more than prices.

It was only in Bydgoszcz that this pressure burst into the open when bus and tram drivers, angered by an item in a local paper which suggested they were working less than they should be, stayed in their depot.

They demanded long-delayed wage increases. The news of the stoppage prompted the workforce in Krakow's steelworks, Poland's largest enterprise employing 32,000, to stop work the next day. They demanded a 50 per cent increase in their basic rate as well as higher compensation for the workers throughout industry.

The steel mill, where over half the workers are involved and the strike continues, differed from the Bydgoszcz stoppage from the start. The sympathies of the strike leadership in Krakow were squarely with the banned Solidarity movement whereas in Bydgoszcz new official unions set up in 1982 to replace Solidarity took over the strike.

In Krakow, the strikers wanted to have nothing to do with the official unions. There, indeed, long since sacked Solidarity leaders of the 1981 unrest, such as Mr Stanislaw Handzlik, went back to the mill last week to help lead the protest.

The past week has faced the Poles – and Mr Gorbachev off-stage – with difficult dilemmas

At Stalowa Wola a stoppage also started for more pay but it was sparked by the dismissal of two Solidarity activists sacked for helping to organise a mass meeting the previous week.

Underlining the differences between these actions and 1980, however, the authorities can now argue that the impact of their reforms will be blunted if inflation, accelerated by generous wage settlements, is allowed to get out of hand.

On top of this the authorities can and do say that enterprises are independent and the government need not get involved. Also very important, this party leadership has previous experience of dealing with strikes.

Nevertheless, in recognition of the threat last week concessions were speedily made in tax rules on the amounts companies can pay out in wages. This made settlements possible in Huta Stalawa Wola at the weekend, bringing the strike to an end before *the May Day holiday*.

The hands off stance also means that the government could dismiss requests by strikers for ministers to come to talk to them and leave it to local management to try to redress grievances. Also, in an entirely new element, the official unions are being permitted to put forward their own demands to deflect support from Solidarity and ease compromise solutions.

This time, too, the Polish Government argues that the reform programme is being pressed on it by Western governments and the International Monetary Fund as a condition for new loans and agreement on debt rescheduling. An IMF team was in Warsaw after Easter to assess progress on the reforms and the price rise agenda was one of the main items supporting the argument that General Jaruzelski is pressing ahead with change.

What is more, the IMF wants Poland to balance its current account some 12 months earlier than the Polish Government has declared is possible, that is by 1991. By mid year Warsaw has to decide if it wants to go ahead with a shadow IMF adjustment programme implying more exports and a further squeeze on the standard of living which if successful could lead to a standby agreement with the fund next year.

Such an agreement is important not only for the promise of funds it carries but because Western governments and banks need it to underpin their own prospective rescheduling deals with Poland.

As the week unfolded, General Jaruzelski made a show of continuing his business as usual. In his May Day speech he confidently reiterated his commitment to reform and warned both his own conservatives and the Solidarity opposition that they could expect no concessions. The authorities did however announce that on May 11, parliament would be asked to consider a package of special powers designed to speed up implementation of reform and control inflation which is expected to reach 53 per cent this year.

The events of the past week have faced the Polish authorities, the leaders of the protest movement and, only a short distance off-stage, the Soviet leader Mr Mikhail Gorbachev, with difficult dilemmas which go straight to the heart of the present debate over economic reforms, decentralisation and democratisation.

One of the more enjoyable passages in Mr Gorbachev's recent book, *Perestroika*, is his account of the dressing down he gave Russian trade union leaders who, he felt, were too compliant with management. Trade union committees, he complained, had become used to sub-standard working conditions and a poor health service. Was it not high time they stood up for working people? "The trade unions should be more active in giving a stronger social orientation to economic decisions and, if need be, setting forth and upholding their own alternative proposals."

He was, as he would no doubt quickly point out, talking about the Soviet Union. But Poland this week has given ample demonstration that the one-party states of Eastern Europe are not sufficiently robust to accommodate trade unions or other quasi-political groups setting forth, let alone upholding, their own alternatives to government measures and party policies. The ruling Communist parties of the Eastern bloc and their leaders are not without experience in dealing with or defusing opposition. But confronting opposition within the party is a different game, requiring different skills and developing a different breed of leader from those of the more public game played out in the Western democracies. The East Bloc game does not foster the evolution of procedures, attitudes or institutions for the resolution of political conflict.

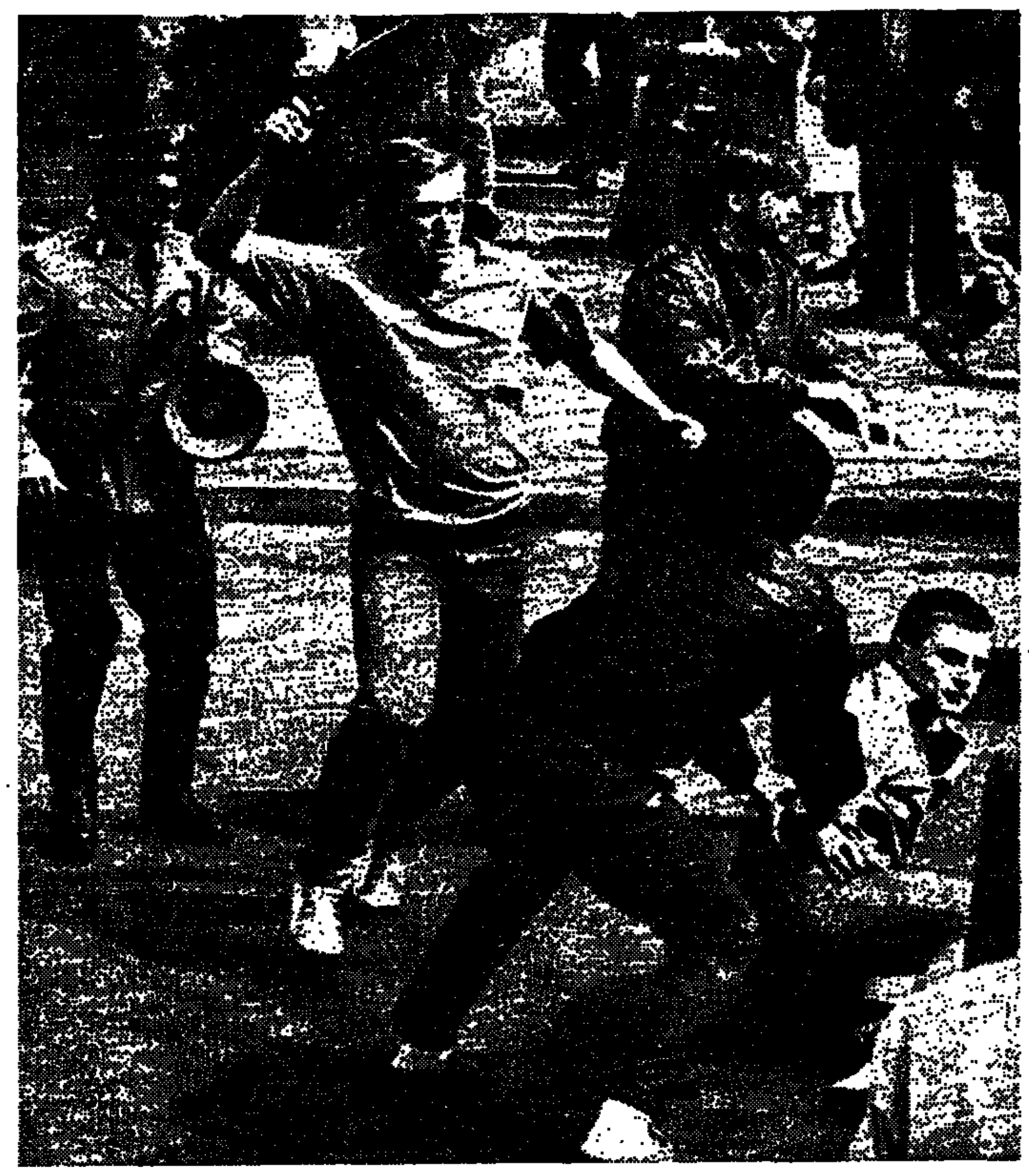
Lech Walesa, the Solidarity leader in Gdansk, is in a weaker position than he was during the events of 1980-81. This time it is anger and disillusion, rather than euphoria, that drives the protestors on. Solidarity is only one of several components in the movement, no longer even the vanguard. Mr Walesa himself oscillates between declarations of support for the workers and doubts as to whether this is the right moment for an all-out nationwide confrontation.

Strategists behind the scenes, such as the veteran dissident Jacek Kuron, contend that the future sketched out by Mr Gorbachev and his progress so far, albeit limited, have placed Eastern Europe on the verge of profound change which an outbreak of dissent in Poland could only jeopardise. And their movement's economists, highly critical of the government's half-hearted implementation of reform, recognise that wage rises, even those forced by strikes, can only aggravate economic weakness.

General Jaruzelski could hardly have been unaware that attempts to introduce austerity measures similar to those that dislodged both his predecessors would provoke unrest. His attempts to prepare the ground, such as last year's referendum, were signally unsuccessful. But any signs of overreaction, such as the use of troops to break the strikes, would almost certainly provoke a violent reaction, and lead to televised scenes far more violent and destructive to the cause of reform than those of police confronting demonstrators in Warsaw this weekend.

Those scenes will have been subject to hawk-like scrutiny by those in Moscow who believe that the relaxation of tightly centralised control – political and economic – is inimical to political stability, however necessary to economic progress; and who oppose Mr Gorbachev's *perestroika* on those grounds.

General Jaruzelski's ability to control the present wave of protests without undue use of force could make all the difference to the Soviet leader's chances of success and possibly even political survival.



May Day in Warsaw and plain-clothes police move in to break up a demonstration

OBSERVER

Lawyers in demand

■ If the present wave of mergers and acquisitions goes on, there may be a shortage of lawyers to *deal with all the companies* involved. At the very least, there may be a diminution in the quality of legal advice, it may not be possible to do everything properly in the time available and there could be some conflicts of interest.

Such, very broadly, are the views of Robert Carswell, senior partner at the American law firm, Shearman & Sterling, although he seems remarkably cheerful about the dangers that he says may lie ahead.

Carswell has the advantage over some of his competitors in that he has experience of government. For four years he was deputy secretary at the US Treasury under the Carter Administration. Shearman & Sterling has an advantage, too: it has a traditionally close relationship with Citibank, which last year accounted for about 30 per cent of its business.

Yet Carswell has a point. The M & A business, as mergers and acquisitions are now referred to, is moving so fast that it is becoming hard to keep up with. There are leveraged buy-outs and hostile international takeover bids that require a range of skills not previously ready to hand – a knowledge of (say) French or Belgian law, industrial and stock market performance, as well as American.

Moreover, some of the international law firms are deep into the business of trying to resolve Third World debt problems. That again demands skills and knowledge that lawyers have not always been used to practising. It means producing a document the size of a telephone directory, Carswell says, that hardly anyone knows how to read and yet is designed to become the financial framework for the future of the country concerned.

Carswell takes the sensible view of "1992 and all that." He says that there will be no big bang; it is already happening. It involves the US just as much as Europe: hence the current round of takeover bids. Hence also the need for any US law firm worth its name to become increasingly international in its activities.

The Shearman & Sterling claim is that it will continue to take on graduate lawyers and train them itself rather than recruit from other firms. Yet, whichever way it goes, the demand for lawyers specialising in the business world seems likely to grow. So, too, will the premium on quality advice.

Lady tramps

■ The Rev Arthur Brown, rector of St Bartholomew's Church in the City, has never quite worked out why the church founder, minstrel-turned-monk Rahere was buried with his boots on. He imparted this and other curious facts during the first guided walk of the City conducted by a new company, Perspectives.

Perspectives is the creation of three women, Judith Goodison, Belinda Morse and Catherine Nunneley, who developed an idea they had while working together with Sam Wanamaker on the reconstruction of Shakespeare's Globe Theatre in Southwark.

The walks, which have so far only been advertised by word of mouth, are very good. The first, in Roman and Norman London, produced such snippets as the Ironmongers' bequest left by a woman who wanted it to be used for burning witches. "Now they use it for warming old people," assured Morse.

The Perspectives women confessed that their husbands had "good jobs" in the City, but insisted that they had avoided using their connections. "We felt rather fierce about that," said Nunneley. Morse, a qualified guide, said her husband, who had worked in the City all his life, had become used to history tests. "The atmosphere at breakfast can be quite frosty when he doesn't know the answer."

If their names seem vaguely familiar, it is because they are the wives of Sir Nicholas Goodison, chairman of the Stock Exchange, Sir Jeremy Morse, chairman of Lloyds Bank, and Charles Nunneley, deputy chairman of Robert Fleming Holdings.

"I can remember when I had a girl in every port."

Right of sanctuary

■ The New Yorker is going through a particularly good phase at present. Last week's edition contained a profile of Barry Goldwater that would have been worth its weight in hardback.

This week's might almost be a British supplement. A Talk of the Town item is about the Duke of Gloucester, encountered at a New York tea party for the Victorian Society of America and, unlike other members of the Royal Family, a trained architect. The profile is of John Cleese, described as the "English actor who looks like a Grenadier Guard." The main book review is of the novels of John Cowper Powys.

Most notable, however, is the long article on Viraj Mendis. Viraj is a 32-year-old Sri Lankan, who was sent by his parents to study engineering at the Manchester Institute of Science and Technology when he was 17. He dropped out when his parents' funds ran short. He has been in Britain ever since and is a member of the Revolutionary Communist Group, *one of the many left-*wing splinter groups in this country.

The authorities have long sought to deport him. Yet since he is a Sinhalese who supports the cause of the Tamils, it would not be easy for him to go back to Sri Lanka.

Thus for the last 16 months he *has been living in sanctuary in* the Anglican Church of the Ascension in the Hulme district of Manchester. The parish priest, Father John Methuen, reads that other good magazine of the moment – The Economist – and is introducing Viraj to St Augustine. The Home Office is unable to do anything about it.

Very big deal

■ The David and Lucile Packard Foundation is to become one of the largest private charitable funds in the US, rivalling the Ford Foundation.

David Packard, now 75 and grandfather of the electronics industry, has just devoted $2bn of his Hewlett-Packard stock to keep it going. He has thus avoided death tax and capital gains tax on the sale of the stock.

As Deputy Defence Secretary in the Nixon Administration and head of President Reagan's commission studying military spending, Packard wants the money spent by those closest to him, not by government. His four children sit on the board of the foundation, and preference will go to endowing science and technology professorships.

Such an effort

■ An American Congressman was asked recently which he found the greater problem among his constituents: ignorance or apathy?

"I don't know," he replied, "and I don't think I care."

Letters to the Editor

Investors could lose out twice

From The Lord Elton.

Sir, Your report "About-turn in Life Assurance Market" (April 28) is incomplete in two respects.

First, it does not recognise that the real danger to independent intermediaries does not arise from the requirement to reveal commissions *on its own*, but from the threat that that requirement will not be matched by a requirement of life offices to reveal the exactly equivalent costs borne by policies sold by their own representatives.

The intention of the Financial Services Act, and of Government policy, is that the investor shall know what he/she is getting and what he is paying for it. In other words he should be told, as simply as possible, how much of the money he pays is actually invested on his behalf.

If he were to be given this information about one set of policies and not about another, the effect would be that he lost out twice: by getting bad information, and by loss of choice because many independents were driven out of business as a result. It is therefore imperative that a means of assessing the relative costs of both sets of policies is established swiftly.

The second point missed by your article is that the decision to impose "hard disclosure" is not effective until 1990. That means that there is still time to establish an equitable system.

Elton,
The Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA),
22 Great Tower Street, EC3

'Still no sign of any real recovery'

From Mr Leslie Tolley.

Sir, Some months ago you allowed me the courtesy of your columns to warn of the horrendous balance of payments deficits then ahead for this country because of the destruction and decline of capacity in manufacturing industry. These deficits are now with us, and will get worse – but there is no sign yet of any real recovery in manufacturing industry.

Large UK industrial groups still appear to have no desire to expand organically; take-overs, mergers, overseas acquisitions, "restructuring" (which is to say, asset stripping) yes, but little or no investment in new and additional UK capacity. It is still too easy, less trouble and more rewarding to import and distribute than to be involved with the investment and management skills required in manufacturing.

Government actions and, particularly, budget policies appear to encourage this situation, and exchange rate fluctuations and high interest rates (compared with our competitors) make early change unlikely. When are we going to wake up to the fact that without the good fortune of our own oil and gas little of the "economic progress" of the last few years would have been possible, our trading account with the rest of the world would have been worse than that of the US, and the value of the £ would be at an unthinkably low level? And yet, instead of really setting about the resurgence of our manufacturing industry while we still have time, we indulge ourselves with income tax cuts, rewards in non-productive activities which have become ridiculous, uncontrolled credit, and imports ever-increasing under the illusion that they will encourage competitiveness and keep inflation down – whereas they will ultimately destroy us.

Recovery in manufacturing is becoming more difficult as each year goes by. Skilled labour is declining rapidly as existing employees retire, and Youth Employment Schemes cannot replace them as apprenticeships did in the past. Capacity for most things in manufacturing cannot respond to the challenge of ever-increasing imports – and without manufacturing we shall never be able to pay for such imports to satisfy today's expectations.

A repeat of the US economic situation is definitely ahead for the UK unless we adopt policies which are determined to ensure very substantial recovery of our manufacturing industry. We shall certainly need a change of heart and direction by Government ministers at the very top if we are to avoid the consequences of our industrial self-destruction.

L.J. Tolley,
Excelsior Industrial Holdings,
Whitelands Road,
Ashton-under-Lyne, Lancashire

From Mr George Stern.

Mr Gordon Tymm (Letters, April 22) would do well, in assessing the position of the UK relative to Italy and other European economies, to study the European Commission publication European Economy (November 1987). According to this, if gross domestic product (GDP) per head of population is measured taking the Community average as 100, the UK stands at 87, Italy at 100, France at 117, Germany at 140 and Denmark at 151.

By a lot of puffing and blowing, using purchasing power rather than only exchange rates, the picture can be somewhat modified to one where the UK is about the same as Italy.(It is a sad day for us economically when we have to use elaborate statistical methods to establish that – maybe – the UK is just about keeping up with Italy.)

As Britain under Thatcherism is supposed to have the secret of growth, it is well to turn to another page which gives growth of GDP at constant market prices. Between 1979 and 1987 the Community grew 21 per cent, Italy 29 per cent, the US 25 per cent and Japan 46 per cent. The UK – now the "growth teacher" of the world – grew 19 per cent.

Mr Tymm was right to point out that Italy is not in north west Europe. But the point I was trying to express (April 19)is that the UK is now, in terms of GDP per head, below every western European country except for part of the southern fringe (Greece, Portugal and Spain) and Ireland. Thatcherism – which includes running the worst welfare system in Europe – does *not* give economic success, except to a favoured few. It does *not* give fast national growth.

The fact that we are running now behind Italy shows that whatever secret we have, it is not the secret of economic success as usually reckoned.

George Stern,
6 Eton Court,
Shepherds Hill, N6

L'expression de ma considération

From Mr Jean-Noël de Bouillane de Lacoste.

Monsieur, J'ai lu votre article sur la courtoisie dans les milieux d'affaires français ("Why ingenus should not be gauche in encountering French customs," a guide to business protocol in France by Jean-Louis Barsoux published on April 25), et je l'ai trouvé excellent.

Je ne vois absolument rien à redire à ses considérations générales. Bien au contraire, ce que vous écrivez par exemple du Français "loquace" et cependant "plus réservé" socialement que le Britannique me semble tout à fait judicieux.

Trois points de détail me paraissent toutefois discutable:

Les fins de lettres doivent en effet, comme vous le dites, être rédigées avec soin, et il y a plus que des nuances entre les expressions toutes faites dont on se sert. *Je doute cependant que* mes compatriotes y soient toujours sensibles. Et je vois la "haute considération" utilisée à tout bout de champ par une quantité de gens qui pourraient se satisfaire d'envoyer leurs "sentiments distingués."

L'usage du prénom fait son apparition dans l'administration française, du "haut" vers le "bas" cela va sans dire – ou à égalité hiérarchique: est-il si en retard dans le privé?

Le tutoiement n'est pas vraiment "obligatoire" entre anciens d'une même grande Ecole. En tout cas pas pour l'Ecole nationale d'administration, vu les différences d'âge et de grade; tout naturellement, on tutoie un camarade de promotion, ou d'une année voisine, mais guère au-delà, sauf si l'on a travailléensemble...Mais des polytechniciens seraient moins constipés.

Tout cela n'ôte rien à l'intérêt – et à l'opportunité – de votre article.

Veuillez agréer, Monsieur, l'expressions de ma considération distinguée.

Jean-Noël de Bouillane de Lacoste,
Minister-Counsellor, French Embassy,
London.

Client receives a cheque for the surplus

From Mr Barr Ellison.

Sir, The Life Assurance and Unit Trust Regulatory Organisation (Lautro) decision on life assurance commission disclosures was, quite rightly, prominently featured in your editions of April 27, 28 and 30. In view of the reported difficulties which the writer of the articles, Mr Clive Wolman, experienced in his attempt to recover commission received by National Westminster Bank for arranging his own mortgage endowment policy, he can seldom have written with such enthusiasm.

However, I should like to point out that there is nothing new about commission disclosure for the legal profession. Under the Law Society's long-standing professional conduct rules, solicitors are required to account to clients for commissions received. For some time *this* firm has been offering clients a mortgage-arranging service with a fee-based charging system and full commission disclosure. The result in almost every case (and certainly for the "typical" £40,000 endowment mortgage) is that the commission received far exceeds the charges and the client receives a cheque for the surplus.

Barr Ellison,
39 Parkside,
Cambridge

Water, water everywhere

From Mrs Mary Campbell.

Sir, Mr Newman (April 23) outlines some of the costs of water metering. He omits the problems of blocks of flats where cold water tanks and mains supplies are shared.

In our case, it would be all but impossible to identify from where each flat takes its mains supply. I suspect that the whole block would have to be replumbed, with new water tanks for each flat. The installation cost for meters would be thousands of pounds.

Mary Campbell,
Flat 6, Grange House,
Highbury Grange, N5

Umbrellas per Square Mile

From Ms Sonia Coode-Adams.

Sir, One further point in the umbrella controversy. If an umbrella is damaged it is remarkably hard to dispose of.

I recently saw a man trying to stuff his broken umbrella into a litter bin. "Die! Die, won't you?" he was crying in anguish. The umbrella sprang out again and again with a flourish of ferrules.

The moral was clear: it is easier to murder a mackintosh.

Sonia Coode-Adams,
Coode-Adams Martin Associates,
Inworth Hall,
Inworth,
Colchester, Essex

Too costly for comfort

From Mr Jonathan Stern.

Sir, Your report on the new Department of Energy "Brown Book" oil and gas resource estimates (April 26) fails to highlight its most significant statistic : the price.

This has risen annually, to £11 in 1987. The 1988 volume is £20. Aside from a slightly greater page length the only discernible difference is a two-page foreword with a photograph of the Secretary of State.

A sentence inside the cover reads: "The price of this publication *has* been set in order to make some contribution to preparation costs." These costs could be made more transparent.

Since the statistics are essential for anybody studying the oil and gas industries, a near doubling of the price without significantly expanding the coverage could be considered an abuse of monopoly power. This would be a grave charge to level against a Department which reckons its major task at present is to reduce the power of state monopolies.

Jonathan Stern,
Chatham House,
10 St James's Square, SW1

From Mr J.D. Sutherland.

Sir, Mr Cecil Parkinson told the Institute of Energy on April 28 that those who wanted to abandon nuclear energy should consider the consequences of denying future civilisations "the comforts and lifestyles which we demand for ourselves."

Better, surely, to pay twice as much for oil and coal to ensure that future civilisations can enjoy any comfort and lifestyle at all.

J.D. Sutherland,
41 Westella Way,
Kirkella,
Hull

Prudent investors seek to minimise the rough and maximise the smooth

From Mr Neil Moore.

Sir, In the context of the October 1987 crash, Ronald Grierson questions "the integrity of investment analysis when shares are a 'buy' one day...yet are rejected as unattractive three weeks later when all that has changed is that they have become cheaper" (April 20).

What has changed, of course, is the market environment. Markets, whether in shares, copper futures or apples, are governed by emotion and expectation as well as facts. At any moment the market price of, say, GEC is the price at which the marginal buyers and sellers are in equilibrium, whether their motives are irrational, intelligent or foolish.

Mr Grierson seems to resent investors who seek to discriminate between the good and the not so good. "It cannot make sense," he writes, "for shares to be sold to investors on the expectation that earnings and dividends will increase year after year." Can he be serious? Investors do make mistakes but few buy a share in the expectation that earnings and dividends will *fall*. "Shareholders must take the rough with the smooth." Yes and no – prudent investors seek to minimise the rough and maximise the smooth by careful selection and regular monitoring.

In general, Mr Grierson seems to dismiss capital appreciation as a legitimate investment objective and with it the concept of total return. On investment performance, for example, he refers disparagingly to "investment funds where the managers seek to be judged on their ability to outguess competitors on short-term market movements." It must be doubted whether investment managers *seek* any such thing, but it is a fact that calculations of total return are produced monthly for unit trusts and quarterly for pension funds.

If Mr Grierson regards this as ludicrous, I agree; but he should blame the measurers (and those who use their figures), not the measured. Long-term performance measurement is, however, another question. Does GEC not calculate the total return earned on its pension fund assets over the years - and compare the results with those achieved by others of similar size?

Neil Moore,
Renby,
Eridge Green, East Sussex

No single American system from which to draw an electricity blueprint

From Mr Andrew Warren.

Sir, Mr John Lyons, general secretary of the Engineers and Managers Association, is apparently surprised (Letters, April 27) at the conclusions of our new report "Regulating for Efficiency," concerning the appropriate powers required for a regulatory body to oversee the electricity supply industry when privatised.

May I in turn express my surprise at seeing his letter in your columns criticising our report on the same day that we received a request from his office asking for a copy?

If Mr Lyons had waited until he had obtained a copy, he might then have learned that our report was by no means the eulogy to the American regulatory system he infers. Rather it acknowledges that there is *no* single American system from which to draw a blueprint, as each state has developed a separate regulatory structure, but concludes that this multiplicity of experiences permits an unparalleled opportunity to learn lessons for Britain's new Office of Electricity Regulation.

There are some broad conclusions that can be drawn: the introduction of a powerful regulator would be likely to make the companies more successful, benefiting consumers and shareholders alike. Conversely, a weak regulatory body – on the lines of OFGAS, British Gas's regulator – could permit costly inefficiencies to increase.

Our evidence certainly shows how much higher Wall Street tends to regard utilities in states where the regulator is known to be powerful, as opposed to those where lax oversight is common. I would also hope that it might finally kill off some of the myths and misconceptions about the US experience in regulation, which have improperly gained some currency in Britain (the life of which, Mr Lyons's letter seeks to prolong).

The allegation that the US regulatory system restricts the ability of utility managements to manage efficiently could not be further from the mark. Rather it can assist them substantially. As the chairman of the Wisconsin regulators has stated: "It is easier to visualise competition occurring in an active regulatory regime than in a passive one. In a weak or passive regulatory climate utilities may use their monopoly power to protect themselves from competition, with resultant economic inefficiency."

There is likely to be little opportunity to alter the regulatory structure for electricity after it has been privatised. It is therefore vital that we give the new body appropriate powers from the start to ensure prudent investment decisions. The lesson from America is that it is in the interests of both customers and shareholders that these powers are sufficient.

Andrew Warren,
Association for the Conservation of Energy,
9 Sherlock Mews, W1

FOREIGN AFFAIRS

Mitterrand and the deterrent

Edward Mortimer considers the consequences for France's allies of the re-election of Mr Mitterrand

WHAT difference will it make to the rest of Europe if, as all French pundits and pollsters now predict, François Mitterrand is re-elected next Sunday for a second presidential term?

To start from the most obvious point, it will certainly mean that France's partners have a new Government to deal with in Paris. Mr Mitterrand will have to choose a new Prime Minister. The one he would be most comfortable with would be Pierre Bérégovoy, who has long been one of his closest aides and has been running his campaign.

That choice would certainly cause no problems for any of France's allies or partners. They got used to dealing with Mr Bérégovoy when he was Finance Minister in 1984-6 and found him easy to get on with, full of common sense and pragmatic to a fault, ready to move with the free-market spirit of the times and virtually unencumbered with any trace of socialist ideology.

They would probably prefer him to his predecessor, Jacques Delors, who was rather given to grand designs and polemical tirades, as well as frequent threats of resignation – a tactic he has continued to use as president of the European Commission. It is no secret that Mr Delors would dearly love to return to Paris as Prime Minister. But, in view of the strong emphasis Mr Mitterrand has placed on Europe in his campaign, it seems more likely he will ask Mr Delors to stay on for a second four-year term in Brussels.

A more intriguing possible choice for Prime Minister is Michel Rocard, Mr Mitterrand's long-standing critic and rival within the Socialist Party: though now well on in his fifties, he retains a certain aura of youth and novelty, which the new Government will need if it is to restore the French electorate's faith in mainstream politics and recapture the initiative from the National Front leader, Jean-Marie Le Pen. Mr Rocard also enjoys a high international reputation, helped by his fluent English.

Whoever the new Prime Minister is, Mr Mitterrand will no doubt soon dissolve parliament and hold new elections to get a parliamentary majority he can work with – the only question being whether he *does* so straight away, as in 1981, or waits until autumn to give the present right-wing majority more time to break up. Foreign governments will hope he chooses the former option, so as to get the atmosphere of electioneering and uncertainty out of the way.

Once that is done, there is, on the face of it, no reason to expect great changes in France's foreign and defence policies, since Mr Mitterrand has continued to play a major role in these during the two years of *cohabitation* (with Jacques Chirac of the neo-Gaullist RPR as Prime Minister) and has insisted on the importance of continuity in policy even when different parties take it in turn to exercise power.

The world has been regaled almost *ad nauseam* with the remarkable success of the French in building a national consensus embracing France's independent nuclear deterrent, its membership of the Atlantic Alliance but not of Nato's military structure, its firm support of the American military presence in Europe (both nuclear and conventional), its commitment to closer European integration and to the central role in it of Franco-German co-operation, both economic and military. None of that is likely to change.

Even so, some important nuances have lately begun to emerge, stimulated partly by the strains of *cohabitation* and partly by the changing geo-political environment: the intermediate nuclear forces treaty and, more generally, the reactions in other Western countries to changes in the Soviet Union.

Although Mr Chirac himself eventually endorsed the INF agreement it was loudly criticised in France both by traditional Gaullists, suspicious of any deal between the superpowers, and by some strongly pro-Nato politicians including the Defence Minister, André Giraud. It was Mr Mitterrand who led the way in proclaiming his support for it; and it was also Mr Mitterrand who, before the recent Nato summit, came out firmly on the side of the West Germans, and against the British, by declaring that there was no urgent need to modernise Nato's short-range nuclear forces in Europe. Mr Chirac was clearly more sympathetic to the British view.

Behind this barely concealed disagreement lies a growing divergence about nuclear doctrine. Mr Mitterrand has not reneged, and will not, on his conversion to the ideas of nuclear deterrence. But his hostility to Nato's flexible response strategy, to all nuclear war-fighting scenarios, and to the very idea of battlefield nuclear weapons, has hardened. In fact he no longer regards short-range "pre-strategic" weapons, which could only hit targets in Germany (or possibly Czechoslovakia), as suitable even for delivering the "final warning" before an all-out nuclear war, which had been the role assigned to them in French strategy. Since such a warning could only imaginably be used against a Soviet Union that had already thrown caution to the winds, he has come to think that it must logically be directed at Soviet territory, in other words that it would have to be delivered by a long-range, strategic weapon.

That leaves "pre-strategic" weapons without any function, and it is fairly clear that Mr Mitterrand is gradually disengaging himself even from the Hades short-range missiles which his own Government commissioned. Whether he will actually scrap them remains uncertain, but while he is President they are most unlikely to be updated.

It also leaves no logical objection, in terms of military doctrine, to the "third zero" – the elimination of short-range nuclear weapons – which the Warsaw Pact proposes and the West German Social Democrats support. But for political reasons it is very unlikely that France would accept this, especially now that the ruling coalition in West Germany has come out firmly against it, unless there is first an agreement on chemical weapons and spectacular progress in the talks on "conventional stability" which have not yet started.

There is still very little sympathy, in the Elysée or almost anywhere else in France, for the gut hostility to nuclear weapons so widely felt in Germany and on the left in most other Nato countries. But it is clear that by moving back towards the original Gaullist concept of pure or minimal deterrence – in which nuclear weapons would be used only to hit back directly at an aggressor's capital, and therefore have to be long-range – Mr Mitterrand is also moving towards something compatible with the desire of many West Germans not to have nuclear weapons of any sort deployed in their country.

The other advantage of the minimal deterrence theory is that it is compatible with almost any degree of bilateral or multilateral nuclear disarmament that stops short of actually abolishing nuclear weapons. Mr Mitterrand has emphasised the theme of disarmament in his campaign, clearly sensing that the French electorate is less sceptical than are the French defence and foreign policy experts about the chances of a new East-West *détente*. Reviving a phrase he once used about his relations with the French Communists, he said last Thursday that instead of asking whether Mr Gorbachev is sincere the West should so arrange matters that he has to act *as if* he were sincere.

That is much closer to Mr Genscher's doctrine of "holding Gorbachev to his word" than to the traditional French approach. Behind it lies the belief of many French socialists that economic constraints are pushing East and West towards disarmament; and the knowledge that little can be done to implement election promises of higher spending for civilian purposes, notably education, if the defence budget has to go on increasing.

A re-elected President Mitterrand will enjoy considerable prestige abroad as well as at home. If he proceeds to define a social-democratic, humanist future for Europe, based on shared defence combined with detente and disarmament, and liberal economic policies combined with generous social ones, it could prove more attractive to many Europeans than the alternative success story on offer – that of Mrs Thatcher's Britain.

FINANCIAL TIMES

Tuesday May 3 1988

Britain and France battle for lucrative Canadian nuclear submarine contract

Hunter-killers come to market

By David Owen in Toronto, David White and Lynton McLain in London, and Paul Betts in Paris

THERE HAS never been a contract battle like it. That much is certain, because there has never been a market-place for nuclear-propelled submarines. But the decision awaited from Canada on the purchase of up to 12 such boats, of either British or French design, in a deal that could be worth at least C$8bn (US$6.5bn), still has a number of question marks hanging over it.

Britain's Vickers Shipbuilding and Engineering (VSEL), the Barrow-in-Furness, north-west England, yard reprivatised two years ago, has better odds in its favour for winning the contract since the Reagan Administration announced last week that it would not stand in the way. The UK and the US are bound by a 30-year-old Eisenhower-Macmillan pact, under which they must consult and agree before marine nuclear technology is passed on to a third party.

The passing of that hurdle was welcomed by the British Government, which has been lobbying hard on VSEL's behalf. Mr George Younger, the UK Defence Secretary, took advantage of a Nato meeting in Brussels last week to have further talks with his Canadian colleague Mr Perrin Beatty. Britain is hoping for a final verdict by the end of July.

Nuclear-powered submarines are fairly exclusive. Five countries – the US, Britain, France, the Soviet Union and China – make their own. Brazil, leaning on French knowhow, and India could join them.

However, despite the excitement of the competitors in the Canadian deal, nobody wants to turn nuclear "hunter-killers" into a widely-traded commodity. The UK Ministry of Defence says it "cannot be assumed" that the way would be clear for other countries, even other Nato members, to buy.

The Canadian Government wants them as part of a major defence updating drive, to assert Canada's sovereignty in Arctic waters and also to be able to patrol in the Atlantic and Pacific.

Britain believes its present Trafalgar class submarines, which at 85 metres are much longer than the French equivalent, are better suited for extended periods under the ice for a variety of reasons, ranging from comfort to the effectiveness of the sonar. Officials also said the US would prefer British-design submarines for operating in conjunction with its own.

The French claim compactness as an asset. The Rubis class made at the Cherbourg naval dockyard – where work has begun on a somewhat enlarged version known as the Amethyste class – has a submerged displacement of only 2,670 tonnes against the Trafalgar's 5,200 tonnes.

Whether or not small is beautiful, it is doubtless cheaper, and much will depend on how heavily cost considerations influence the final choice. Mr Michael Wilson, Canadian Finance Minister, has recently been monitoring defence spending with an eagle eye.

While the British say France would need to make a stronger boat, the French argue they could equip theirs with a retractable hydraulic mast that would give them the edge in breaking through ice. Modifications have been made to meet Canadian military requirements. French officials say negotiations are likely to continue for several months and that their chances for clinching the deal remain good.

However, French competition is not VSEL's only obstacle. The British lobbying effort in Washington is now directed at Congress.

"The Canadians have to do some work on Capitol Hill, and so do we," Whitehall officials say.

Last week's White House blessing leaves the way clear for Ottawa and Washington to negotiate an amendment to the 1959 nuclear co-operation treaty between the two countries, but does not guarantee that Congress will ratify it.

Some members of the Senate Armed Services Committee are known to have misgivings about the proposed transfer, in line with the US navy which opposes it on security and safety grounds.

It is also unclear whether a straight majority or a two-thirds vote would be necessary to derail a Presidential recommendation. According to one Senate spokesman, this will probably depend on the precise terms in which the Administration phrases its request.

A second potential obstacle is the possibility that Mr Brian Mulroney's Conservative Government in Ottawa will not be re-elected for a second term. Mr Mulroney must call a general election by September 1989 at the latest and is expected by many to go to the country before the end of this year.

Opinion polls indicate a tight three-horse race. Since both the Liberals and the New Democratic Party oppose the acquisition of nuclear submarines, any outcome other than a Conservative victory would cast considerable doubt over the the programme.

The deal, if it goes through, means a big outlay by any standards – equivalent to about 80 per cent of Canada's current annual defence budget, or roughly the same as the combined total defence budgets of South America.

Both bids would transfer most of the work to Canada. In Britain's case, about £1bn ($1.88bn) worth would go to the UK. Probably the first submarine would be built in the UK and the remainder locally.

A 14-member group has just returned from a two-week tour promoting the Trafalgar bid in employment-hungry Canadian provinces. Mr Rodney Leach, VSEL's chief executive, described the tour as a "mega-marketing exercise" – something it is felt the French politico-military-commercial machine is more accustomed to.

It is alleged that the British side woke up to this when it found that wives of Canadian officials were being treated to trips around the bay aboard a French nuclear-powered submarine.

A Trafalgar class submarine of the type Vickers hopes to sell to Canada under construction at Barrow in Furness in northern England

Decision on Rover sale attacked by French air chief

BY PAUL BETTS IN PARIS

THE INDUSTRIAL logic behind the British Government's decision to sell the Rover car group to British Aerospace was attacked yesterday by Mr Henri Martre, the chairman of Aerospatiale, the French state aerospace group.

Mr Martre said the British Aerospace-Rover deal, coupled with West German Government efforts to promote a merger between the Daimler-Benz car group and Messerschmitt-Bolkow-Blohm, risked setting a trend towards the constitution of large diversified national industrial groupings in the European aerospace sector, instead of encouraging transnational European partnerships.

He argued that such diversified national groups would make it more difficult to create a strong European aerospace industry capable of competing against the US. It was difficult to see how a national group which produced "a few aircraft, some cars and a pile of refrigerators," could take on the US aerospace industry.

Mr Martre said he favoured, as a long-term objective, a merger of the major European aerospace groups such as Aerospatiale, British Aerospace, MBB and Casa of Spain.

He argued that every industry had to work towards reaching the necessary size to compete. However, he deflected questions on the possibility of a greater concentration in the French aerospace sector through closer ties between Aerospatiale and Dassault-Breguet and Matra.

He claimed there was "good co-existence" between Dassault and Aerospatiale but he acknowledged that competition between his group and Matra was sharp in certain fields.

Mr Martre, who said Aerospatiale's group profits fell to FFr136m ($23.94m) on sales of FFr31.4bn last year from profits of FFr303m on sales of FFr33.8bn the previous year, also confirmed his support for closer collaboration between the European Airbus consortium and McDonnell Douglas of the US.

This collaboration was crucial if the two groups wanted to fight Boeing's ambition of monopolising the civil aircraft market, he said.

Airbus partners and McDonnell Douglas would be meeting again at the highest level next month to study collaboration opportunities. Aerospatiale planned to sign imminently a major industrial subcontracting agreement with Canadair which would give the Canadian group about 6 per cent of the airframe contracts for the new Airbus A330-A340 programme.

Mr Martre also confirmed that the French Government had awarded to Aerospatiale and Thomson CSF, the French state-controlled defence and electronics group, the initial development contracts for the new French Aster family of ground/surface-to-air missiles.

These initial contracts are worth about a quarter of the $1.8bn cost of developing the new missiles.

Mr Martre added that an agreement had also been reached between Aerospatiale and Selenia to include the Italian group in the programme.

Apart from Italy, Mr Martre said Britain and Spain were also interested in collaboration in a new ground/surface-to-air defence system.

THE LEX COLUMN

Fear and greed in Europe

For Europe's business community 1992 is not so much a date in the calendar, more a state of mind. Throughout much of Europe, and especially in the UK, that state of mind is confusion – but a confusion which is increasingly giving way either to a faintly pleasurable sense of expectation, or to a deep foreboding.

With a little bit of help from their governments, businessmen across Europe are learning to use the numerals 1992 as corporate shorthand to justify takeovers, mergers and other kinds of acquisitive activity. Indeed, to judge from the official rhetoric, most of France's recent takeover wave has been 1992-driven. And even in sceptical Britain, assurances that the management is "ready for 1992" are becoming almost an obligatory feature of the chairman's statement.

Ignorance of the true implications of the single European market seems, not surprisingly, to be proving little impediment to following the 1992 bandwagon. Indeed, given the bureaucratic mountain which must be moved before the barriers come down, and the nationalistic opposition to felling them, companies are probably right not to let a weak grasp of detail worry them too much at this stage. If the past performance of the European Community Council of Ministers is anything to judge by, 1992 will happen any time except in the designated year.

1992 and recent European Linkages	
Nestlé* Switz.	Rowntree UK
Compagnie du Midi France	Axa France
Kleinwort Benson UK	Fauchier-Magnan France
Cerus France	Société Générale de Belgique Belgium
Amro Netherlands	Générale de Banque Belgium
Compagnie du Midi France	Equity & Law UK

*Bid

Global phenomenon

For the corporate sector, that is probably neither here nor there. The spirit of liberalisation and deregulation which has inspired the 1992 ideal is, of course, as much a global as a European phenomenon. In many, if not most EC countries, the restructuring needed to make Europe a global competitor is already in train, born of the recession of the early 1980s and a desire to escape decades of inferior economic performance. Europe is already running to catch up; the hope is that 1992 will make it run faster.

So far, in terms of corporate activity at least, the pace seems to have been set largely by fear – fear of the competition which the single market will bring to national and sectoral pockets of inefficiency. In France, more than any other nation, there is a palpable sense of crisis; virtually every merger or acquisition seen on the Paris Bourse this year has come cloaked in the colours of Europe. And, although the rhetoric has stressed opportunities to be exploited, the reality has often looked more defensive than offensive.

Last week's decision to merge the insurance operations of Compagnie du Midi and Axa in France is a case in point. France's protected insurance industry will be in the front line of the liberalisation now taking place in the sector, and both companies feel they are too small to compete on their own in a freer market. The choice was clear: merge or let Compagnie du Midi fall to Italy's Assicurazioni Generali. A unified Europe may be on the horizon, but that did not stop Midi preferring the French rival it knew to the approaches of a foreign opponent.

Competitive threat

Yet if France feels it has much to fear from the deregulation of financial services, how much more the distorted markets of Spain and Italy, where price competition could lead to a severe decline in profitability. Corporate activity in both countries is likely to increase as the continent's larger and more efficient players go for Europe's softer targets. But in Italy at least, such activity will be severely limited by the size of the equity market – only 5 per cent of mergers and takeovers over the past five years have been handled on the exchange – and by the concentration of shareholdings in very few hands.

Belgium may not be the most threatened, but it has certainly captured a disproportionate number of headlines in the past few weeks. Carlo De Benedetti's ambition to make Societe Generale de Belgique part of a European financial services empire has provoked extremes of chauvinism from the Belgians. But, provided that he gets it in the end, he will not have to wait for 1992 to reap the benefits: a touch of the De Benedetti management style should shake large profits out of La Generale long before then.

Expand and survive

Even in the UK, while the securities industry seems to be approaching 1992 from a position of relative strength – and has built on it by acquiring or taking shareholdings in a number of French brokers – the clearing banks seem uncertain whether to view 1992 as an opportunity or a threat. Like many of their continental competitors, they appear to be inclining to the motto, expand and survive. The danger, across the continent, is that the prospect of a single market will force the pace of such expansion, combining with the factors of high corporate liquidity and low post-crash valuations to drive a pan-European takeover wave which companies may still regret once 1992 has come and gone.

If British business is storing up takeovers to regret, though, they are more likely to be American than European. British companies seem to have declared 1987 and 1988 the years to get America right, with Europe a lower priority. The suspicion that the tricks of the Transatlantic takeover game will not work so well on the continent may well put them off for some while to come. But if the London market sees more British brand names snapped up by Europeans – whether by outsiders like the Swiss who want to ensure they are not locked out of Fortress Europe, or proper members of the Community – they could decide to go onto the offensive. They may even be able to savour the ultimate irony of seeing US firms which spurned Britain when sterling was cheap forced to buy British companies with costly dollars to get a European foothold.

Enormous opportunities will exist for the competitive to win market share in sectors as diverse as insurance, telecommunications, even engineering – especially in areas now dominated by public procurement. But there seems little doubt that the biggest winner in 1992 will be 320m European consumers, not the odd few million investors. Shareholders should beware the words which trip lightly off the corporate tongue where 1992 is concerned; and as a rule of thumb, they may do better with the bid targets than with the bidders.

De Benedetti group captures Romagnolo

BY ALAN FRIEDMAN IN MILAN

MR CARLO DE BENEDETTI has scored a dramatic victory over a Fiat-led coalition in a battle for control of Credito Romagnolo, Italy's second-largest private bank.

The issue was decided by a marathon meeting of more than 2,600 of the bank's shareholders in Bologna, the first time Italian investors had been asked to vote in this manner on the management control of a bank or company. Mr De Benedetti and his allies now control eight of the 13 seats on Romagnolo's board of directors.

Although the Bank of Italy is opposed to the control of banks by large industrial concerns such as those headed by Mr De Benedetti or by Mr Gianni Agnelli, his traditional rival, the Credito Romagnolo bylaws restrict any single shareholder from owning more than a 2 per cent stake. The struggle for the 193-branch Romagnolo was thus waged by two opposing shareholder coalitions, backed by Mr De Benedetti on the one hand and by Mr Agnelli's Fiat group on the other.

Among the surrogates involved were a string of old Bolognese families and industrialists who backed Mr De Benedetti and local celebrities such as Mr Pietro Barilla, the pasta king, who backed Fiat. Mr Franzo Grande Stevens, personal lawyer to the Agnelli family, was even dispatched to Bologna for the occasion.

Mr De Benedetti's side emerged with 63 per cent of the votes cast by about 2,647 shareholders, representing 83 per cent of the bank's total equity. The lengthy shareholders' meeting, held in Bologna's conference centre, at times resembled a football match, with supporters on both sides shouting, whistling and booing.

The result of the voting finally came through at 3.30am, at which point Mr De Benedetti was telephoned at home in Turin and woken up with the news of his success.

The new chairman of Credito Romagnolo is Mr Francesco Bignardi, a 68-year-old veteran banker who was formerly general manager of Banca Nazionale del Lavoro (BNL), Italy's biggest state-owned bank. Mr Bignardi's brief is to expand the wealthy bank's activities in Italy and elsewhere in Europe to position Romagnolo for the opening up of European financial markets in 1992. It is also expected that the new management will bring Credito Romagnolo to the Milan bourse.

Dumenil Leble, the Paris investment bank 26.5 per cent owned by Cerus, Mr De Benedetti's French holding vehicle, is to spend between L120bn ($97m) and L140bn ($113mn) to acquire a 21 per cent stake in Latina, the Milan-based insurance and financial services arm of the De Benedetti group.

Cerus, meanwhile, is planning to raise FFr3bn ($526m) by way of a rights issue reserved for CIR International, another De Benedetti vehicle. The capital increase, together with a FFr1.5bn convertible bond issue, is aimed at covering Cerus's costs associated with the purchase of shares in Societé Générale de Belgique.

Mr De Benedetti said at the weekend that Nestlé of Switzerland would soon present a revised offer for the French arm of the Buitoni foods group in order to answer objections from Buitoni's French minority shareholders.

Airlines buy into Apollo ticket system

BY RODERICK ORAM IN NEW YORK

FOUR EUROPEAN and one US airline are to pay $500m for a 49.9 per cent stake in the Apollo computer reservation system owned by Allegis, parent company of United Airlines.

The move will improve their access to a powerful marketing and service tool which is growing increasingly important in international airline competition.

A new company, Covia Partnership, will be set up to own and operate the Denver-based system. British Airways, Swissair and USAir will take 11.3 per cent stakes for $113m each, while KLM Royal Dutch Airlines will own 9.981 per cent and Alitalia 5.98 per cent. The balance will be owned by a United subsidiary which will be managing partner.

The deal will not affect plans announced last summer by United and its four European partners to spend $120m to develop Galileo, a European reservation system due to come onstream next year. However, Galileo will link into Apollo.

Highly sophisticated computer systems, commonly used in the US and rapidly gaining ground in Europe, allow travel agents and other users to make reservations and issue tickets for aircraft, trains, hotels and car rentals plus many other travel services.

Typically, the systems carry information on most airlines, not just those of their owners.

Airlines also use the systems as sources of management information. For example, they help the companies juggle their complex fare structures to maximise loads and revenues.

The Apollo system has around a 33 per cent share of the US market for computer reservations, while its arch-rival Sabre, owned by American Airlines, has 38 per cent, analysts estimate.

Other major systems include Pars, owned by Trans World Airlines and Northwest Airlines, and System 1, owned by Texas Air, parent of Eastern and Continental.

A stiff fight between competing US systems to sign up travel agents resulted in a congressional inquiry last year about marketing, fees and other operational aspects.

Allegis, which a year ago announced its intention to sell a stake in Apollo, said it had not yet decided how to spend the proceeds.

Analysts exepct it either to pass them on to shareholders in a special dividend, pay down United's heavy debts or invest in the airline. Allegis shares jumped $1¾ to $83¾ in early trading.

UK seamen's union faces further legal restrictions

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Sealink said sequestration was the "inevitable outcome" of today's hearing, and NUS leaders were yesterday virtually resigned to the prospect. A union spokesman said: "We accept that's likely to happen and we are ready for it.

"If we backed down now and turned up at court being extremely humble and apologetic, our members would never forgive us."

NUS leaders, who yesterday said they would ignore a High Court injunction ordering crews to end sit-ins on two Isle of Man ferries, have obtained advice on sequestration from other UK unions which have had their funds seized in recent years.

In a telex sent to NUS members working on deep-sea vessels yesterday, Mr Sam McCluskie, NUS general secretary, said: "After Tuesday, the union may not be able to function."

He called for international strike action in asking for deep-sea support "in any and every form you can give it." In initial early reactions, crew on the P&O cruise ship, Sea Princess, and a container ship off Australia refused to take any action in support. Mr McCluskie is to see Mr Norman Willis, Trades Union Congress general secretary, on the ferry dispute.

The NUS said that of the 1,100 seamen who had accepted P&O's revised offer, 248 had now withdrawn their acceptance.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	17	63	Malta	F	20	68	Rhodes	S	19	66
Algiers	S	23	73	Edinburgh	C	9	48	Manchester	R	13	55	Rio de J'o	F	27	80
Amsterdam	F	17	62	Faro	S	19	66	Manila	F	38	100	Rome	F	19	66
Athens	S	19	66	Florence	F	21	70	Melbourne	S	19	66	Salzburg	C	23	73
Bahrain	S	38	100	Frankfurt	R	13	55	Mexico City	F	29	84	San Francisco	F	9	48
Bangkok	R	31	88	Funchal	C	20	68	Miami	S	21	70	Seoul	S	21	70
Barcelona	F	18	64	Geneva	S	16	61	Milan	F	18	64	Singapore	F	32	90
Beirut	C	20	68	Gibraltar	F	19	66	Montreal	C	5	41	Stockholm	S	16	61
Belfast	C	11	52	Glasgow	F	12	54	Moscow	F	18	64	Strasbourg	R	13	55
Belgrade	S	22	72	Guernsey	R	11	52	Munich	F	19	66	Sydney	F	20	68
Berlin	C	21	70	Helsinki	S	14	57	Nairobi	R	24	75	Taipei	F	31	88
Biarritz	F	17	63	H. Kong	R	27	81	Naples	S	20	68	Tangier	C	20	68
Bombay	S	32	90	Innsbruck	F	19	66	Nassau	R	26	80	Tel Aviv	S	21	70
Bordeaux	F	19	66	Inverness	C	8	46	New Delhi	S	36	97	Toronto	C	21	70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Opec split over exports

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and to hurt Iran."

The six non-Opec producers – Mexico, Colombia, Angola, Egypt, Malaysia and China – had been looking for a 5 per cent reduction in individual Opec members' exports (rather than output), though with the implicit understanding that Iraq, which has refused to accept any quotas, would not be included among them.

Mr Rilwanu Lukman, president of Opec and Nigerian Minister of Oil, stressed that, rather than Opec concluding an accord with many loose ends, it was "far more important to study the (non-Opec) offer seriously and deliberately and arrive at an arrangement which can last and has the hope of being beneficial on a long-term basis."

Oil traders reacted swiftly to the failure of Opec to reach any agreement. June futures for West Texas Intermediate crude on the New York Mercantile Exchange were yesterday off 72 cents at $17.27 in midday trading. Brent crudes were quoted below $16 yesterday in Europe, off roughly 70 cents from Friday's close. However, few traders were working due to the holiday in London.

Pravda letter calls for reform

Continued from Page 1

senior official in the Aviation Ministry and Party member since 1972, says that neither Mr Khrushchev nor Mr Brezhnev, the former Soviet leaders, wished to give up the power concentrated in their hands, thanks to the system they inherited from Stalin.

"But the stability of the command system was a brake on the development of the economy. A mass of parasitic bodies was bred by enterprises . . . working in conditions of rigid centralisation.

"Conceit, incompetence and bribe-taking – the enemies of socialism – assumed huge proportions . . . our setbacks and omissions are first and foremost the failures of our party and our central committee, of each party member."

The letter also calls for 200 "workers and best specialists" to be brought into the Central Committee, and "to introduce direct elections by secret ballot of the first secretaries of the Party district, city and regional committees, and to establish a limited term in elected office."

He calls for these proposals to be discussed at the forthcoming 19th Party conference at the end of next month.

FINANCIAL TIMES

Tuesday May 3 1988

INTERNATIONAL BONDS

Baring Brothers takes refuge in a Eurosterling short squeeze

SQUEALS FROM squeezed bears were to be heard in the Eurosterling bond market last week, writes Alexander Nicoll.

Baring Brothers had stood up manfully to support a £75m issue for France's Société Nationale des Chemins de Fer issued on Thursday of the previous week, just before poor UK money supply and credit figures sent sterling bond markets into a spin.

"Barings did what they had to do in a market which was beyond their control," said a rival syndicate manager. Others agreed, although there was also a widespread feeling that from the outset the seven-year 9⅛ per cent SNCF deal was over-aggressively priced.

Though the 100⅛ pricing gave a 33 basis point margin over a 1994 gilt-edged stock, the spread was only about half that if the issue was compared with a 1995 gilt, which some other banks used as the benchmark.

Indeed, if it had not supported the issue, Barings could well have found it impossible to syndicate the deal at all, since responses from co-managers were not due until Friday morning.

"You're damned if you do, damned if you don't," was one syndicate manager's comment.

Barings consequently found that the former was the case. The artificially high support price that it was bidding was too good to miss and was targeted for massive short-selling.

By early last week it presumably discovered that it owned rather more SNCF bonds than were actually being issued. Barings simply says that "we were in a position to control the issue."

So it operated a short squeeze, raising its offer-to-issue price from the then prevailing market level well below that. (By the end of last week, other Eurosterling deals launched in the same week were still bid at three to four-point discounts to issue price although this meant they were generally holding their spreads over gilts – probably helped by fears that their lead managers would also attempt a squeeze.)

Shorts have no place to go but Barings and, since it is not offering a price through the brokers at all, most of them will have to own up eventually and take their losses. However, Baring has guaranteed its co-managers full protection – meaning they will receive their full allotments of bonds – so they will not suffer unless they shorted more than their allotment.

Barings did not go as far as others have in short squeezes, as it could have raised the price well above issue price. At the end of the week it was bidding ½ point below issue price and offering at issue price.

"It's more the principle of the thing than the money," said one Barings official.

It seems difficult to fault the spirit of occasionally trying to instil a little discipline into the market by catching short-sellers *in flagrante*. After all, a lead manager is criticised if it does not provide sufficiently sturdy support to a difficult issue, and it seems unfair to take undue advantage of one that does.

But recourse to a squeeze also has its downside.

First of all, it could accidentally hurt other banks which are trying to make an honest two-way market and are unaware that a squeeze has begun.

More significantly, it delays for some time the creation of a natural market in the bonds, hurting the name of the borrower and hampering efforts to find long-term investors.

Barings plans to return to a normal market price once the short positions are neutralised, and could then begin to distribute bonds at prices designed to stimulate buying as well as a two-way trading market. But a true market price will clearly take some time to establish.

Thirdly, recourse to a squeeze reverses any placement which has actually taken place, since holders would naturally welcome the chance to unload what had proved a difficult issue at an advantageous price.

The whole issue of stabilisation is also pertinent given that Friday was A-Day, on which most of Britain's Financial Services Act came into effect. The Act outlaws stabilisation in the UK unless conducted on a recognised exchange. The Association of International Bond Dealers is one, but the International Primary Market Association is not.

Hurried but belated attempts are now being made through a joint IPMA/AIBD committee to formulate rules which would be operated by the AIBD and thus provide legal sanction for Eurobond primary market practices.

Elsewhere, it was a rather dismal week. The gilt market bounded upward on Friday after better than expected trade figures but Eurosterling bonds lagged.

Hopes of finding deep interest in dollar bonds proved wishful. Although US gross national product figures did not hit the market badly, they were still unsettling as they suggested continued economic growth with the concomitant inflationary threat.

In spite of its recent relative stability, there is no confidence that the dollar is bottoming, and in the Eurobond market currency considerations appear, more than ever, to be paramount.

Merrill Lynch had a difficult time with its large $300m General Electric Credit Corporation deal, on which many firms bid competitively. The resulting 33 basis point margin over US Treasuries was thought too tight.

Two one-year deals, clearly viewed by the borrowers as irresistible swap opportunities, were seen by the market as merely confusing with nobody quite sure against what to value them or who would buy them. They were not expected to trade actively, nor were they expected to set a trend.

Denmark's issue on Friday was thought correctly priced. But Mitsubishi Finance's timing was puzzling given the imminent holidays and soggy state of the dollar market. Also on Friday, an Australian dollar deal for Deutsche Bank did well, while a Canadian dollar issue for ITT Financial met a hostile reception.

The huge amount of dollar liquidity washing around potential investor institutions means that some issues will find buyers regardless of their scepticism.

●Banco Popular Espanol, one of Spain's largest commercial banks, has placed 1.7 per cent of its equity, worth about $40m, with international investors.

J. Henry Schroder Wagg arranged the placing, which was made through its 50 per cent-owned associate Wertheim Schroder, its UK subsidiary Schroder Securities, and Cazenove, the London broker.

The placing of 500,000 existing shares, carried out at the going market price, was oversubscribed.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,068.3	193.5	82.8	10,215.3
Prev	2,363.2	0.0	186.0	8,708.8
Other	4,362.4	25.6	658.3	887.8
Prev	5,417.9	1.6	9.5	1,506.6
Secondary Market				
US$	16,541.4	1,773.1	4,564.9	5,554.3
Prev	14,018.2	1,532.3	7,929.8	4,835.9
Other	22,397.3	1,209.3	4,873.7	23,323.1
Prev	21,513.6	1,451.5	3,357.2	27,926.3

	Cedel	Euroclear	Total
US$	10,174.0	29,819.6	39,993.6
Prev	9,831.9	29,742.3	39,574.2
Other	24,468.5	33,269.0	57,737.5
Prev	26,967.7	34,216.5	61,184.2

Week to April 28, 1988. Source: AIBD

Unigestion negotiates for control of BSI

By William Dullforce in Geneva

UNIGESTION, the Swiss finance company which has agreed to buy a 38.7 equity stake in Banca della Svizzera Italiana from Irving Bank of the US for $390m, said yesterday it was seeking majority control of the Lugano-based bank.

It was negotiating with other partners and hoped to complete agreements within a few days.

Irving's sale of its stake in BSI forms part of its understanding with Banca Commerciale Italiana, which has made a friendly offer of $75 a share for 51 per cent of Irving's stock. Irving is also the subject of a $1.1bn hostile takeover bid from Bank of New York.

Unigestion, a Geneva-based company specialising in asset management mainly for institutional investors, said it was financing its purchase with the help of a medium-term loan from Swiss Bank Corporation.

It declined to name the "partners" with which it was negotiating, but said it expected rapidly to gain control of Switzerland's sixth largest commercial bank.

Mr Tito Tettamanti, the Lugano financier who recently led a raid on Sulzer, the Swiss engineering group, and bought control of Saurer, another Swiss engineering concern, is understood to hold some 11 per cent of the BSI stock.

Irving is the largest single shareholder in BSI but the 38.7 per cent stake it is selling to Unigestion represents less than 25 per cent of the voting rights.

Unigestion said it was acting with the "full consent" of the BSI Board and management. BSI welcomed Unigestion's action. BSI, whose investment banking operations account for some two-thirds of its gross revenues, reported a 2.6 per cent decline in operating profit to SFr89m ($63.5m) and a 8.1 per cent increase in net earnings to SFr45.4m in 1987. Its assets totalled SFr6.6bn at end 1987.

Campeau seeks to cash in on its assets

CANADA'S Campeau group continues its efforts to turn into cash some of its assets after its successful $6.58bn takeover of Federated Department Stores of the US, writes Stephen Fidler.

Among those assets are $450m in promissory notes made by Marks and Spencer to finance part of the latter's $750m purchase of the up-market US clothier, Brooks Brothers, from Campeau.

Campeau is using those notes, which M&S reported last week would carry a 10-year maturity and an interest rate at London interbank offered rates, as security for a $450m financing to be raised through Citicorp in the international loans market.

The syndicated financing itself will carry the same 10-year maturity, when all of the principal will be repaid, but banks will be paid an interest margin over Libor of 25 basis points.

A similar financing – this time for $1bn – is also being arranged by Citicorp in the US, where notes issued by May Department Stores for its $1.4bn purchase of Federated's Foley's and Filene's subsidiaries are being used as security.

Citicorp is said to have at least one similar transaction in the pipeline for a European company, and sees the structure as usable elsewhere.

The bank argues the underlying risk in this transaction is M&S, a rare name in the international loans market. The returns to banks, including fees of which details have yet to be released, will presumably be somewhat more than on a direct deal with M&S. Having said that, banks will probably view the deal as having much less relationship value compared to a direct deal with the UK retailer itself.

A $350m, five-year revolving credit for Lockheed, the California-based aircraft manufacturer, was announced. Bank of America is arranging the transaction, which carries a facility fee of 6¼ basis points for the first three years, and 7½ basis points for the remainder. The margin on drawings is 10 basis points for the first third, 16¼ if more than one-third drawn, and 20 basis point if more than two-thirds drawn.

Bank of America is also in the market with a $100m, five-year deal for Mutual Benefit Life Insurance, a top-rated US insurer. It carries a facility fee of 5 basis points and a margin of 10 basis points in the first three years, and a facility fee of 6¼ basis points and a margin of 12½ percentage points in the last two.

Another top-rated US insurer in the market is a subsidiary of Financial Security Assurance, of New York. In an unusual transaction, it is raising a £200m standby revolving credit through S.G. Warburg, to support a US commercial paper programme. The support is needed in sterling, because the funds are being used to finance a portfolio of sterling financial assets.

The five-year facility carries a commitment commission of 15 basis points and a margin on drawings of 20 basis points, with utilisation fees of 5 basis points if 33-66 per cent drawn, and 10 basis points if 67-100 per cent used.

Warburg is also in the market for a $150m, three-year revolving credit for the Portuguese state-owned oil group, Petrogal. It carries a margin of 15 basis points over Libor, and a commitment fee of 6¼ basis points. Front-end fees range down from 12½ basis points for a $15m commitment.

Baring Brothers is arranging a £250m, five-year multi-option facility for RoyScot Finance, the finance house subsidiary of the Royal Bank of Scotland. It carries a 10 basis point underwriting commission, and a margin of 12½ basis points, and utilisation fees of 2½ basis points if more than one-third drawn and 5 basis points if more than two-thirds used.

The Charter Group of the UK is raising a £60m 3½-year credit to finance the construction of two buildings in London

RWE confirms move to buy Texaco unit

BY HAIG SIMONIAN IN FRANKFURT

RHEINISCH-WESTFAELISCHES Elektrizitaetswerk (RWE), West Germany's largest electrical utility, confirmed yesterday that it is in talks with Texaco to buy Deutsche Texaco, the German subsidiary of the US oil group, which is divesting many of its assets as part of a major restructuring.

Deutsche Texaco was put up for sale last month by its parent, which owns 99.1 per cent of the shares. The German unit has been valued at around $1.5bn.

RWE declined to comment on any details of its talks, which, according to Der Spiegel, the German news magazine, have involved Deutsche Bank as a highly active go-between.

Mr Alfred Herrhausen, the bank's co-speaker (chief executive), is chairman of Deutsche Texaco's supervisory board, while Mr Wilhelm Christians, its other speaker, has the equivalent post at RWE.

However, no formal takeover proposal has been put forward according to an official at the federal cartel office in Berlin.

The future of Deutsche Texaco, which has some 2,000 filling stations, has been the subject of considerable speculation, not least because obvious buyers such as other oil companies could face obstacles on monopoly grounds.

UK GILTS

Interest focuses on international scene

JUST OVER a week ago there was a modest downgrading of gilt-edged securities. The narrow trading range in which the longer-dated securities had been stuck since early February was, in price terms, marked down.

Expressed as a yield, Treasury 11¾ per cent 2003/07s now seem to find resistance at about 9.30 per cent at the top end of the range, and buying support at about 9.45 per cent.

On Friday, the better than anticipated March trade figures helped the long end but the figures were not enough for the market to judge that anything fundamental had changed in the world. The outlook is still profoundly clouded and the data still convey a conflicting story.

In the absence of coherence at home and any significant economic data forthcoming, it is little wonder that many in the market began to turn their attention to developments on the international scene in a search for a guide to short-term trading.

A view is taking root that there is a better than even chance the authorities in the US, Japan and West Germany may be about to engineer a rise in short-term interest rates. As most economic data released this year have shown, the world economy is far more robust that policy makers dared to hope in the wake of October's stock market collapse.

Over the weekend, press reports from Paris suggested that economists at the Organisation for Economic Co-operation and Development had reassessed their December economic forecasts. Growth in the 24 member states of the OECD is now expected to be 3 per cent this year, compared with the initial forecast of 2¼ per cent. Next year it is expected to be 2½ per cent compared with 1¾.

It appears that this extra growth will largely be fuelled by domestic consumption. This has been anticipated by most principal bond markets, which are also worried that with extra consumption comes the threat of higher inflation rates.

Coincident with this is a growing realisation within the leading central banks that monetary policy may be a little too loose. It seems that the Bank of England is not alone in feeling that a slightly higher level of interest rates would not be inappropriate.

Monetary growth in West Germany is running ahead of target. Whatever one's views on the need for Germany to grow at a more rapid pace than it is currently doing, statements last week by senior German officials suggest that a modest tightening may in prospect.

A change in the Bundesbank's fixed-rate repurchase agreement, which could occur today, would be a signal to the market that it wants higher money market rates. The "repo" rate is currently 3¼ per cent.

Japan is in a similar position. Money supply (M2+CDs) grew at more than 12 per cent in the first quarter, compared with 10 per cent in the same period last year. There are suggestions that the Bank of Japan is concerned about the inflationary implications of this growth, although an increase in the discount rate in the near term is not thought likely.

In the US there are signs that the Federal Reserve may be about to engage in some "snugging" – a discreet manipulation of short-term interest rates without an official gloss – in a move to firm the monetary stance in the face of inflation concerns. Such a move could see Fed funds rise from about 6.8 per cent to 7 per cent.

What does this imply for the gilts market if, in fact, the authorities in the US, Japan and West Germany react in the way outlined?

It is doubtful whether foreign investors would move back into the US markets on the back of a policy tightening there, although the long end of the bond market could well benefit from the tightening.

In a scenario where the dollar weakens, international interest could well swing from sterling to the D-Mark and the yen. If such a change of focus leads to sterling easing back to the DM3.10 level and the Bank responding with a rise in base rates then the gilts market could well move ahead.

Recent doubts over the symmetrical nature of policy, which have been fuelled by the base-rate cuts, could be laid to rest.

Given the frailty of the dollar and most equity markets, however, a large measure of doubt must be attached to the above scenario. Engineering a pain-free rise in interest rates would be required for such a manoeuvre, and no one knows beforehand if that can be guaranteed.

Simon Holberton

US MONEY AND CREDIT

Markets now worry about price and wage inflation

US CREDIT markets have an anxious week ahead as they prepare for an issue of US Government securities on Wednesday week that may need yet higher interest rates if it is to be sold.

The issue, which is thought likely to be of the order of $26.25bn, must be marketed to investors who have been badly rattled over the last month by the US economy's continued ability to grow and create jobs. The markets are now worried seriously about wage and price inflation for the first time since the stock market crashed in October.

On the way to the auction, which is the Treasury's regular quarterly refunding, the markets will get word on Friday on just how many jobs were created in April. Traders and analysts expect the report to show another big increase in an economy where rates of unemployment are already historically low. This in turn could force the Federal Reserve to tighten monetary policy a jot to keep a hold on economic growth and inflationary pressures.

In the past six weeks, the continued growth in the economy has unsettled the market enough to drive up long-term interest rates by over half a point to 9 per cent while the short-term interest rate most amenable to Fed treatment, the Federal funds rate, has moved its trading range up by almost as much to just under 7 per cent.

Mr Philip Braverman, a money market economist at Irving Securities, is one of many market analysts who think yields have some way to go yet to attract buyers, including Japanese investors who have had to contend with recent weakness in the dollar exchange rate. "Expect a 9¼ per cent long bond yield in the May refunding," he said over the weekend, "and a slight Fed snugging to 7 per cent, if, as is likely, there is a healthy rise in next Friday's report on non-farm payrolls."

At the close of last week, the Treasury's 30-year bond, which is the keenest measure of the market's long-term inflation fears, shed 1⅛ in price to yield 9.11 per cent. This is the highest level since early January and half a point worse than the yield in mid-March when bond investors still hoped that the October crash had wounded the economy and that it would soon stumble and fall. New evidence last week said the economy was doing no such thing.

Actual growth, which was announced last week as 2.3 per cent in the first quarter, was nothing very striking. After all, this was half the rate of growth in the 1987 fourth quarter. But the bond markets set about analysing the first-quarter figures and found much to disturb them. First of all, the growth was going straight through to the purchaser and not into inventory building: final sales were up 2.6 per cent while inventory accumulation fell away. Worse than that, domestic consumption was up 3.8 per cent.

These figures did not bother the market so much as a government report last Thursday showing a big fall in claims for unemployment insurance. During the week that ended April 16, claims fell to 275,000 which is the lowest level for a week without holidays for 15 years.

The claims figures may sound out-of-the-way, but they have been the subject of intense market interest this year as a signpost to the overall jobless rate. This has been running – at least for February and March – at a low 5.6 per cent. The claims figures made everybody revise their forecasts for this Friday's jobless rate. "We currently are looking for a gain in the 275,000 to 300,000 areas, as the claims data are consistent with continued strong labour demand," said Smith Barney at the weekend. This would mean an unemployment rate of 5.5 per cent.

The market fears that the pool of unemployed workers is now too small for the economy at its current growth rates, and wages are bound to be bid up by managers to meet demand, particularly from export markets opened by the declining dollar. The threat has yet to materialise. Wage inflation has been broadly steady since mid-1986, though in the strong manufacturing sector, collective bargaining produced increases of 3.3 per cent in March, against 3.1 per cent in December, according to Salomon Brothers.

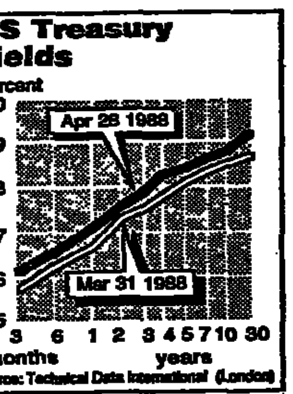
Add to this a good gain in the leading economic indicators for March – up 0.8 per cent – and yesterday morning's bullish report from purchasing managers and it is no wonder that credit markets have got themselves into such a stew.

Apart from a small tightening of monetary policy at the end of March, the Federal Reserve has allowed inflationary expectations to build up in the markets without an attempt at reassurance. The markets are now betting that a strong employment report may force the Fed to come in and tighten policy. Nobody thinks the snugging will be an aggressive movement. Mr Braverman cites a host of reasons for restraint, from the fact prices are not rising very fast yet to problems in the Texas banking system. But it will be a tightening all the same.

* * *

The only significant economic report due for release this week is the employment data for April, which is due at 8.30am on Friday. According to Money Market Services, of Redwood City, California, the median estimate among economists is for a gain of 255,000 after a 262,000 increase in March. The 45 estimates range from 175,000 to 350,000. The civilian unemployment rate is expected to be between 5.5 per cent and 5.7 per cent.

James Buchan



Source: Technical Data International (London)

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.93	6.98	6.64	7.78	6.27
Three-month Treasury bills	5.99	5.82	5.71	7.17	5.82
Six-month Treasury bills	6.35	6.23	6.04	7.45	5.41
Three-month prime CDs	7.10	7.02	6.70	8.28	6.54
30-day Commercial Paper	6.85	6.85	6.61	7.42	6.43
90-day Commercial Paper	6.95	6.95	6.73	8.85	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98½	-⅝	8.67	8.56	8.37
20-year Treasury	102	-1	9.14	9.03	8.81
30-year Treasury	97⅝	-1⅛	9.11	9.00	8.75
New 10-year "A" Financial	n/a	n/a	9.88	9.75	9.48
New "AA" Long utility	n/a	n/a	10.25	10.13	9.85
New "AA" Long industrial	n/a	n/a	10.13	10.00	9.75

Source: Salomon Bros (estimates).

Money supply: In the week ended April 18, M1 rose by $300m to $766.4bn

Viag privatisation price fixed at DM210 a share

BY HAIG SIMONIAN IN FRANKFURT

THE WEST GERMAN Government is selling its remaining 60 per cent stake in Viag, the energy, aluminium and chemicals group, for DM210 a share.

The sale of the 6.96m shares, 5.5m of which are owned by the Government and 1.46m by the Kreditanstalt fuer Wiederaufbau, should raise about DM1.46bn ($879.5m).

Application forms to buy shares in the privatisation, which is being organised by a 51-bank consortium led by Deutsche Bank, will be available from tomorrow. Viag shares closed just above the offer price at DM210.70 in Frankfurt yesterday.

The newly-privatised shares will carry a coupon entitling them to a share of Viag's 1987 profits.

Last month the company said its net profits rose 16 per cent to DM191m in 1987. It plans to raise its dividend to DM6.50 a share from DM6 a year earlier.

The Finance Ministry said Viag, which was partly privatised in June 1986, also intended to offer some workers shares.

Austrian Airlines to hold payout despite profits slip

BY JUDY DEMPSEY IN VIENNA

AUSTRIAN AIRLINES, the state-owned national carrier which is due to be partially privatised in June, saw its 1987 profits fall, after taking into account reserves and investments, to Sch91m ($7.75m), compared with Sch107m the year before.

Cash flow increased by 24 per cent to Sch1.05bn last year while the 6.5 per cent dividend paid in 1986 was maintained. The total share capital of Sch1.8bn was also unchanged.

The number of passengers carried increased by 18 per cent, to 2.2m.

The airline, in which the Government owns a 99.2 per cent stake, will be partially privatised under the terms of a privatisation law which allows the state to retain at least a 51 per cent stake in state-owned industries.

On May 24, 24.8 per cent of the company, or 435,000 shares, each with a nominal value of Sch1,000, will be offered to the public. The issue price will be announced on June 13.

The shares will be listed on the Vienna bourse from June 13.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
Closing prices on APRIL 29

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

BNL cites staff costs for halved profits

By Alan Friedman in Milan

BANCA NAZIONALE del Lavoro (BNL), Italy's biggest bank, suffered a sharp fall in its earnings last year. The Rome-based bank, which is majority-controlled by the Italian Treasury, reported a 61.5 per cent fall in the net profit of its main banking subsidiary to L59.6bn ($48.3m).

BNL's consolidated group profit for 1987 was halved, meanwhile, from L265bn to L135bn.

Mr Nerio Nesi, BNL chairman, attributed the lower profits to runaway personnel costs and to the write-down in share and bond holdings that almost every Italian bank suffered in 1987.

Mr Nesi, noting that the cost of BNL's 28,602 workforce had increased by 9 per cent to L1,449bn last year, called the staff level "unsustainable."

Mr Nesi complained of the inefficiencies at bank branches resulting from excess staff and said something must be done. The BNL chairman is therefore the first senior Italian banker to speak out publicly about the problem of bloated staff levels in the Italian banking system. The issue is normally swept under the carpet.

BNL, with L77,644bn of total deposits, has the strength of being the largest state-owned bank, but this in turn makes it difficult to introduce radical changes.

Continental raises payout

By Andrew Fisher in Frankfurt

CONTINENTAL, THE West German tyre manufacturer, is again paying a higher dividend after a 21 per cent rise in 1987 group net profits to DM139m ($83m).

Shareholders will receive DM7 a share, compared with DM6 last year and DM5 in 1986.

Turnover increased by 2.6 per cent to DM5.1bn. This does not include the DM2.5bn turnover of General Tire, the US company bought by Continental last year. General Tire's figures will be consolidated into the 1988 result.

The company said last November that it had benefited from higher sales of winter tyres.

Purchase lifts PKbanken's profile in broking market

BY ROBERT TAYLOR, NORDIC CORRESPONDENT, IN STOCKHOLM

PKBANKEN, SWEDEN'S third largest bank, has acquired for SKr2.7bn ($461.5m) Carnegie Fondkommission, the country's biggest broker and part of the Swedish group of companies controlled by the financier Mr Erik Penser.

The deal is designed to strengthen PKbanken's stock market activities. Mr Christer Zetterberg, its president, estimated the bank's share of the Swedish broking market would rise from 3 per cent to about 18 per cent.

PKbanken is controlled by the state but the Swedish Government has given its informal approval to the agreement with Carnegie. The Government will hold about 65 per cent of the shares in the bank.

Mr Zetterberg said yesterday the deal would strengthen the bank's "possibilities to provide qualified share transaction services to companies, institutions and private individuals."

The purchase price is to be paid entirely in shares in PKbanken through a special issue directed at the seller, D. Carnegie, which said a substantial portion of the shares would be placed with a number of companies.

Carnegie Fondkommission will retain its independent position in the market and will operate without any change in personnel. Mr Anders Lindstrom, Carnegie's managing director, said: "PKbanken wanted to work in the brokerage field and they approached us as the biggest independent company."

Carnegie believes the deal will legitimise brokerage activities, in spite of recent government proposals to increase taxation on stock market transactions.

The company also believes the close collaboration with PKbanken will give its customers access to a wider range of financial services than they have enjoyed in the past. It said its continuing international expansion would be improved as a result.

Last month, D. Carnegie sold off its retail and wholesale business to the Axel Johnson trading group, for SKr3.5bn.

The firm's brokering group has earned SKr335m so far this year but it 1987 brokerage and commission revenues dropped by 20 per cent to SKr130m as a result of lower volumes on the stock exchange at the beginning of 1987.

Last year, PKbanken showed a marginal 1 per cent increase in its operating profits, which climbed to SKr2.1bn as a result of higher interest income and a slowdown in cost increases.

Holderbank profits rise 21%

BY WILLIAM DULLFORCE IN GENEVA

HOLDERBANK, the Swiss cement group, has reported a 21 per cent advance in consolidated net earnings to SFr289m ($208m) in 1987 and proposed a rise from 18 to 20 per cent in its ordinary dividend.

The holding company posted a SFr58.6m net profit against SFr50.1m in 1986. The board proposes a dividend of SFr100 per bearer share compared with the SFr90 paid last year, to which was added a SFr15 bonus marking Holderbank's 75th anniversary. It will pay SFr20 per registered share and SFr10 per participation certificate on the 1987 account.

Group sales climbed 12 per cent to SFr3.7bn last year. Excluding exchange rate movements, the increase would have been 21 per cent, Holderbank said.

Turnover was marked by both acquisitions, including that of Ideal Basic Industries of the US, and disposals of companies.

Consolidated cash flow improved by 15.7 per cent to SFr780m. Investments dropped sharply from SFr801m in 1986 to SFr322m, spending on financial investments tumbling from SFr554m to SFr43.

Norsk Hydro issue to raise $400m

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

NORSK HYDRO, Norway's biggest quoted company, is set to make an international rights issue next week to raise about $400m, the largest cash call ever from a Scandinavian group.

The offering, originally planned for last year but called off in November because of turmoil in world stock markets, will be made in each of the eight countries, including the US and Britain, in which the company has stock exchange listings.

The company said the issue would be made on the basis of one new share for every five existing shares, and at a 15 to 20 per cent discount to the theoretical ex-rights price.

It is the first time that an attempt has been made to make a rights issue in so many markets, but the company has an unusually large number of foreign shareholders. Complying with regulations in each country has already proved enormously complicated.

The Norwegian Government holds a 51 per cent stake in the fertilisers, petrochemicals and metals concern, and is taking up its rights. Private Norwegian shareholders account for less than 15 per cent – less than US holders, with about 17 per cent. Shares are also listed in the UK, Switzerland, Germany, France, the Netherlands and Sweden.

The issue is being handled by Goldman Sachs International, London arm of the US investment bank. Two groups of international underwriting banks will be formed, one to underwrite the offering in Europe and Asia and the other that in the US.

Norwegian rules will govern the general timing of the issue, which involve an underwriting period of six weeks, but other aspects of the offering have been influenced by the need to comply with the rules of the US Securities and Exchange Commission.

SEC regulations, for example, forbid firms to trade in the issues in which they are underwriting.

Board of First Republic in shake-up

By Roderick Oram in New York

FIRST REPUBLICBANK, the Dallas bank holding company which may need the largest-ever US Government bank bailout, plans to halve its board and unseat top members of its old guard.

The move, prompted by federal regulators and disclosed in the company's latest proxy statment, will cut the board from 33 to 16.

Among the casualties are Mr Joseph Musolino, who will remain president after he leaves the board, Mr James Berry, a retired chairman of RepublicBank, a predecessor company, and Mr H.R. "Bum" Bright, First Republic's largest individual shareholder.

Mr Bright, a leading Dallas businessman who also owns a savings and loan institution and is the controlling shareholder in the Dallas Cowboys football team, claims credit for proposing the merger of RepublicBank and InterFirst, which was consumated last summer.

Hopes that the two Dallas banking concerns would survive if they merged were dashed by a continuing decline in the local property market.

In reporting a $1.5bn loss for the first quarter ended March 31, First Republic said its non-performing assets rose to $4.5bn, or 19 per cent of total assets, from $543m or 15.9 per cent three months earlier.

A $1.5bn addition to loan-loss reserves – primarily responsible for the first-quarter loss which left the bank with negative net worth – brought reserves to $2.3bn, or 10.2 per cent of outstanding loans.

Candidates for election to First Republic's board are mostly leading Dallas businessmen.

They include Mr Albert Casey, whom regulators brought in last month as its new chairman.

The Federal Deposit Insurance Corp, a Washington agency, gained control over the bank's affairs after it lent the bank $1bn to stem a run on deposits.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Cellular Communications§♦	50	2003	15	7¼	100	Shearson Lehman	7.250
Daicel Chemical Ind.Φ♦	100	1993	5	3⅞	100	Nomura Int.	3.875
Nippon Metal Ind.Φ♦	80	1993	5	4	100	Nomura Int.	4.000
D'UrbanΦ♦	70	1993	5	4	100	Nikko Secs.	4.000
Nichimen Corp.Φ♦	150	1993	5	4	100	Daiwa Europe	4.000
Restaurant SeibuΦ♦	120	1993	5	4	100	NKK Secs. Europe	4.000
ZenchikuΦ♦	50	1993	5	4	100	Daiwa Europe	4.000
Sprint V♦	30	1993	5	9.35	101⅞	Fuji Int.	8.870
Procter and Gamble♦	100	1989	1	7⅜	100¾	Goldman Sachs	6.576
Swedish Export Credit♦	200	1989	1	7½	100¾	Kidder Peabody Secs.	6.700
GECC♦	300	1991	3	8¼	101.20	Merrill Lynch	7.786
Nissin Food ProductsΦ	300	1993	5	(4¼)	100	Nomura Int.	*
Noel II (Cayman Is)‡♦	40	1993	5	(c)	100	Norinchukin Int.	-
HEART‡♦	30	1993	5	(d)	100.05	Dai-Ichi Kangyo Int.	-
SAS♦	100	1991	3	8¾	101¼	Prudential Bache	8.263
GTE Finance Corp.‡♦	75	1994	6	(e)	100½	IBJ Int.	-
Denmark♦	150	1991	3	8½	101	Mitsubishi Finance	8.111
AUSTRALIAN DOLLARS							
Deutsche Bank Finance♦	85	1995	7	12¼	102	Deutsche Bk Cap.Mkts	11.814
CANADIAN DOLLARS							
EDF♦	125	1995	7	10¼	101½	Bqe Paribas Cap.Mkts	9.942
Sweden♦	150	1998	10	10⅝	101¾	Bqe Paribas Cap Mkts	10.336
Royal Trustco♦	100	1993	5	10¼	101¾	UBS Secs.	9.791
ITT Financial Corp.♦	100	1992	4	10	101⅜	Goldman Sachs	9.570
DEUTSCH MARKS							
Turkey♦	500	1995	7	6½	100	Commerzbank AG	6.500
Nordic Inv. Bk.♥♦	200	1993	5	4⅞	140.50	DG Bank	4.875
Trumpf Finance NV♦	50	1998	10	6⅜	99½	Trinkaus Burkhardt	6.444
NMB♦	200	1998	10	6¼	100¼	BHF	6.216
Public Power Corp.♦	200	1995	7	5⅞	100¼	Commerzbank AG	5.830
SWISS FRANCS							
Kyosan Electric**Φ♦	50	1993	-	1⅛	100	Wirtschafts Privatbk	1.125
Kymmene Corp.♦	100	2000	-	4¾	99¾	Credit Suisse	4.778
BIL Finance(Cayman)‡♦	100	2003	-	(b)	100	Zurich Cantonal Bk	-
First City Fin.Corp.♦	100	1995	-	5¼	100	S.G.Warburg Soditic	5.250
St. Andrew Goldfields§♦	25	1995	-	5¾	100	Banque Indosuez	5.750
Philips**(f)♦	100	1992	-	3⅞	100¾	Credit Suisse	3.670
Thomson Brandt Int. BV**♦	110	1993	-	4	101	Swiss Bk Corp.	3.777
Republic National Bk♦	150	1993	-	4	101	S.G.Warburg Soditic	3.777
LUXEMBOURG FRANCS							
Lease Plan Beheer NV**♦	300	1993	5	7¼	101¼	BGL	6.946
Soc. Devel. Regionale**♦	150	1991	3	7	100¾	Bqe Paribas (Lux)	6.716
Soc. Devel. Regionale**♦	150	1992	4	7	100½	Bqe Paribas (Lux)	6.853
Belfinance SA (Lux)**♦	300	1993	5	7⅛	100	BIL	7.125
BBL Int. NV**♦	300	1993	5	7	100¼	Credit Europeen	6.939
KB Int. Fin.(Curacao)**♦	300	1993	5	7	100	Kredietbank (Lux)	7.000
KB Int. Fin.(Curacao)**♦	300	1993	5	7	100	Kredietbank (Lux)	7.000
Pargesa Bk Corp.♦	1bn	1996	8	7	100	BIL	7.000
YEN							
African Development. Bk♦	30bn	2000	12	5⅛	100¾	Yamaichi Secs	5.040
GMAC♦	15bn	1992	4	0	85⅛	IBJ Int.	4.108
STERLING							
TMC Mortgage Secs No.7‡♦	100	2015	27½	(a)	100	Salomon Bros	-

*Not yet priced. **Private placement. ♦Final terms. ‡Floating rate note. ΦWith equity warrants. §Convertible. ♥With currency warrants. (a)Coupon at 32.5basis points over 3 month Libor, rising to 50 basis points after 10 years. Estimated life 5-7 years. (b)The coupon will be ⅛ point over 6 month Libor for the first four years and 5% thereafter. (c)25 basis points over 6 month Libor. (d)23 basis points over 6 month Libor. (e) 85 basis points below yield of US 30 year Treasury Bond. (f)Schuldscheindarlehen. Note yields are calculated on an AIBD basis.

UK COMPANY NEWS

David Lascelles takes a look at the funding structure of the Chunnel project

A mounting problem for Eurotunnel treasurers

AS THE Eurotunnel inches its way out under the Channel, a task of a different order is looming at the company's UK headquarters in Victoria: how to manage its enormous cash mountain.

Eurotunnel has just over £6bn in financial resources, of which £1bn is equity from investors with the rest in the form of credit facilities with 200 banks. The challenge facing the group's treasurers is how to minimise the financial costs of the project by using sophisticated modern-day financial techniques.

Nearly £1bn of the budgeted cost of the tunnel is for servicing loans, so a reduction of only 1 per cent would produce savings of several million pounds.

Mr Rory Macnamara, a merchant banker from Morgan Grenfell who has been seconded temporarily to work out a financial strategy, believes that the tunnel funding presents a unique challenge to the City to come up with new ideas.

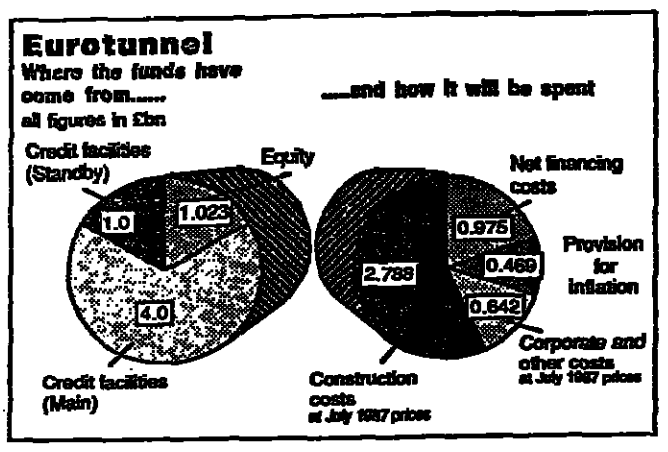
The bank facilities, which consist of six tranches in sterling, French francs and US dollars, include £2.6bn in the form of letters of credit and guarantees. All are at floating rates of interest based on the London Inter-bank Offered Rate (LIBOR). None of it has been drawn down so far because the loan agreements say that Eurotunnel must spend £700m of its equity money first; that will probably happen by the end of this year.

There are three ways in which Eurotunnel will try and optimise its financial management.

●First, by trying to tap cheaper sources of finance than those provided in the loan agreements. It could do this by using the strong credit backing of its banks to go out and borrow elsewhere, notably in the commercial paper market where top industrial names are able to fund themselves more cheaply than many banks. The currency swap market might also offer opportunities to obtain cheaper funds by, for example, borrowing yen, and swapping them into sterling. Leasing is another possibility.

Any money that Eurotunnel can obtain at less than LIBOR would represent a net saving, even taking into account the fee that Eurotunnel would have to pay its banks for their guarantee.

●Second, by creating a more sophisticated interest rate profile to match the project's characteristics. By using the swaps market, the company could exchange its floating rate loans for fixed



rate ones, for example. Hedging techniques in financial futures and options will also allow the company to take advantage of sudden openings in the market and protect itself against adverse rate movements.

●Third, by creating a maturity structure for its loans that coincides more closely with its cash flow projections. The project's spending will rise steadily between now and a peak in 1991-92 when it will tail away again towards the completion in 1993. Loan repayments will start once the tunnel is up and running. But while there is therefore a temptation to push loan maturities out as far into the 1990s as possible, Eurotunnel wants to avoid a rush of repayments in the middle of the next decade because investors will be hankering for dividends by then.

Mr Macnamara believes that there may be opportunities to create a form of index-linked financing because of the close relationship that is likely between Eurotunnel's revenues and the rate of general price increases. Nearly half the revenues will come from the railways whose payments will be linked to inflation. The remainder will come from the vehicle shuttle, and historically cross-Channel ticket prices have risen in line with inflation.

Not that Eurotunnel expects inflation to be a major factor. The project assumes a small increase in inflation during the construction period, from 4.5 per cent to 6 per cent. Ideally, inflation should be low during the tunnelling phase to keep down costs, and then rise after completion to maximise revenues. If the trend is the reverse, Eurotunnel could get squeezed.

There are few if any models for Eurotunnel to go by as it sets about this task. Most other major infrastructure projects around the world have been government-backed or supported by major corporations, like North Sea oil. Eurotunnel is on its own.

Mr Macnamara has been talking to a number of UK, French and US banks to get ideas for the financial plan which he must present to his board in July. But he has not exactly been overwhelmed by bankers eager to sell their services. "Very few banks have the resources to look at the complete picture and say 'Right, this is what you need, and this is what you should do'," he says.

Eurotunnel will also be seeking to establish its name in the financial markets, and will probably eventually have to obtain a credit rating. And Mr Macnamara is determined that the company shall obtain the best financial terms. "People must recognise that in due course Eurotunnel will be very powerful in its own right."

Thought must also be given to the huge cash flow which Eurotunnel expects to have once the tunnel is up and running. Mr Macnamara is studying tax efficient ways to give as much of it back to the shareholders as possible, and Mr Alastair Morton, the chief executive, has said that in the year 2000 he wants the tunnel to make a dividend payment equivalent to the issue price of the stock, 350p.

All this assumes there are no disasters, of course. The budget contains a cushion of £1bn to cover emergencies. But the surest guarantee that the tunnel will get finished may be the fact that the banks' loans are secured on the tunnel's revenues.

Daunting Anglo-French package for shareholders to read

BY NIKKI TAIT

THE 112,000 British-based shareholders in Eurotunnel received some weighty reading last weekend.

Through their letter boxes tumbled a 126-page annual report – Eurotunnel's first – to say nothing of the 31-page progress report, two proxy cards entitling them to vote at the annual meetings of both the French and English companies, plus a host of ancillary information.

If shareholders found the package daunting, Eurotunnel itself confesses that compiling the contents had been anything but a piece of cake. It had, for example, drawn up four proxy cards – two in each language – to meet the different permitted proxy arrangements in Britain and France and in total had published *14 separate documents. These, in* turn, had been bundled up into eight different packages.

Total costs of the exercise were estimated very roughly at £750,000 – perhaps three times the figure which might have been incurred had Eurotunnel been a "single nation" company. And all that, moreover, for a company where operating income, and hence the complications of a current trading picture, are still way off.

EURO TUNNEL

With this Herculean task behind it, Eurotunnel is naturally anxious that private shareholders should not be deterred by the awesome transnational nature of the information – in particular, the accounts themselves. Here, it explains, the layout is really quite simple.

In the first 34 pages – in English on the left-hand side and in French on the right – there is a set of combined accounts for all the major companies on both sides of the Channel which comprise the Eurotunnel Group. (The only companies excluded from these figures are Eurotunnel Developpements S.A. and Eurotunnel Services GIE whose activities were not significant.)

Next comes the required statutory accounts for the two French companies, Group Eurotunnel S.A. and Eurotunnel S.A. Last of all are the corresponding required accounts for the British company, Eurotunnel plc.

It is the combined accounts, stresses Mr Graham Corbett, financial adviser to the co-chairmen of Eurotunnel, which offer shareholders the best guide to events at their company overall.

Yet compiling these figures has not been a simple matter of addition; accounting rules clearly differ on the two sides of the Channel, so Eurotunnel has taken common sense as its guide. "Essentially, we have created our own accounting convention," says Mr Corbett.

Take, for example, the relatively simple matter of directors' salaries. The details required in British accounts are considerably more fulsome than in French accounts. On page 56 in the Eurotunnel plc accounts there is the standard breakdown of the number of salaries in certain ranges, details of the chairman's salary and that of the highest-paid director.

EURO TUNNEL

Turn to the French accounts on page 30, and all one learns is the total level of directors' remuneration so, on page 13 of the combined accounts, Eurotunnel *simply takes the lower level of* information available to it in the French accounts, and gives a single figure for total directors' emoluments for the combined group.

But is all this a one-off headache for Eurotunnel or – with 1992 suddenly the new buzzword – does it have broader implications?

Mr Corbett tends towards the latter view. "If you believe Eurotunnel is a trail blazer for international projects spanning national boundaries, then the concept of the European company begins to take on real attractions."

If so, he suggests, the accounting approximations of Eurotunnel's combined accounts may be *the only practical approach.* "It's highly unlikely that there will be anything like harmonisation this century," he speculates. "A third route is really the only option."

Rbt. Fleming builds stake in Courtaulds

BY ALICE RAWSTHORN

Robert Fleming, the London merchant bank, has been identified as the investor which has built up a substantial shareholding in Courtaulds, the textiles and chemicals group, in recent weeks.

Mr Richard Lapthorne, Courtaulds' finance director, said yesterday that the group discovered late last week that Fleming had amassed a significant stake. It estimates that the bank acquired at least 3 per cent of Courtaulds' equity in the three weeks to April 14, channelling its buying through Citicorp Scrimgeour Vickers.

Courtaulds has monitored its share register closely since 1985 when Hanson Trust built up a sizeable holding. But on April 14, concerned by the volume of trading, it invoked the Companies Act to discover the beneficial ownership of shares held in nominee accounts. This process identified Fleming as the chief buyer since March 24.

The pace of trading in Courtaulds has since intensified, as the group has become engulfed by bid speculation. Last week its share price rose from 352p to 386p, gaining 32p on Tuesday alone.

Last Thursday Courtaulds again invoked the Companies Act to identify the cause of the heavy trading since April 14 and to see whether Fleming had added to its holding. The results should be available within the next few days.

Mr Lapthorne said that Courtaulds had received no indication from Fleming as to why it had amassed the stake: whether in preparation for a bid or as a long-term investment. Nor did Courtaulds know, he said, if Fleming was buying on another investor's behalf. Speculation in the weekend press suggested that Fleming was acting for Mr Kerry Packer, the Australian entrepreneur. Noone from Fleming was available to comment yesterday.

Courtaulds is generally regarded as one of the best managed industrial groups in the UK. Nevertheless its shares – historically at a discount to the stock market – almost halved in value after the stock market crash last autumn.

Beazer extends offer

BY FIONA THOMPSON

Beazer, the UK housebuilding and construction group, has extended until midnight, New York time, this Friday May 6, its *tender offer for all outstanding* shares of Koppers, the US aggregates group, for which it has *launched a $1.7bn bid.*

Owners of 17.17m Koppers common shares have validly tendered for the Beazer offer. This represents 60.7 per cent of the total common shares and Beazer already owns, via BNS, its bid vehicle, 7.4 per cent of the common shares.

However, such tenders can be withdrawn and the real battle for Koppers is taking place in the US courts where the legal complications of the case are being sorted out in three separate court cases.

Rentokil £1m expansion

BY FIONA THOMPSON

Rentokil, the environmental services and property care group, has acquired the privately-owned Gardenair Natural Plants Decor of Bath for approximately £1m.

The acquisition boosts Rentokil's position in the expanding field of plant rental, maintenance and interior landscaping as it already owns *Plants at Work* and AC Rentaplant. Gardenair has a turnover in excess of £1m.

Mr Clive Thompson, chief executive of Rentokil, said: "In the last two years we have created a completely new business with a turnover of more than £5m which will be a key part of our environmental services activities."

British Assets

Net assets per 25p share of British Assets Trust stood at 81.4p at March 31, a downturn of 9.7p on *the figure standing at end-March* 1987.

Earnings emerged at 1.5p (1.09p) and a second interim of 0.675p makes 1.3p (1.15p) to date. The trust is committed to total dividend of at least 2.7p (2.35p).

Northern Foods stake

BY FIONA THOMPSON

Northern Foods, the Hull-based dairy and food group, confirmed last night that 5.1m shares on its register were unaccounted for, but could not say whether speculation that Hazlewood Foods, the fast-growing food manufacturing group, had acquired a 3 per cent stake in Northern was correct.

The 5.1m shares, representing 2.9 per cent, were in nominee names and the company did not know who the beneficial owners were, a Northern Foods spokesman said.

Northern reported pre-tax profits of £75.2m for the year to March 31,1987.

FT Share Service

Associated Nursing Services (Section: Industrials).
Bank Leumi (UK) (Banks).
Brown & Jackson (Stores).
GT Venture Investment Co. (Trusts, Finance, Land).
Rights & Issues Inv. Trust Inc. (Investment Trusts).
Transrap Holdings (Chemicals).

Saatchi & Saatchi buy

Saatchi & Saatchi, advertising and business service group, is to pay up to $7m (£3.72m) for Creative Displays, a Chicago-based sales promotion company. Initial consideration of $3.8m may be followed by payments linked to profits up to March 1992.

In the year to February, Creative Displays reported adjusted pre-tax profits of $600,000. Saatchi is acquiring net tangible assets *estimated at $800,000.*

FINANCIAL TIMES STOCK INDICES

	Apr. 29	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 22	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.05	89.70	90.03	89.99	89.89	91.01	91.43	86.97	127.4	49.18
Fixed Interest	97.57	96.92	97.05	96.78	97.30	97.75	98.31	94.14	105.4	50.53
Ordinary	1443.9	1444.7	1448.9	1431.3	1413.3	1411.6	1478.7	1349.0	1926.2	49.4
Gold Mines	206.4	211.1	209.4	207.1	207.1	205.7	312.5	205.7	734.7	43.5
FT-Act All Share	928.19	928.28	929.14	926.12	916.25	914.55	951.46	870.19	1238.57	61.92
FT-SE 100	1802.2	1804.4	1806.7	1800.8	177.6	1771.6	1855.5	1694.5	2443.4	986.9

UK COMPANY NEWS

Anthony Moreton looks at Iceland Frozen Foods expansion plans

Growing in a sophisticated way

INSIDE THE giant £9m freezer store that Iceland Frozen Foods is to open at its Deeside headquarters in North Wales tomorrow it is colder than a Canadian winter. The working temperature will hover around minus 22 degrees Fahrenheit, 54 degrees of frost.

But for Malcolm Walker, chairman of the fast-growing frozen food chain, life could not be sunnier. The store will more than double the space available to supply the group's 170 shops around the country and, together with existing ones, will provide the capability of supplying 500 outlets as the group expands.

In March, Iceland, which is based about 100 yards inside the Welsh border and in sight of the enormous Shotton steelworks, posted a 41 per cent jump in pretax profits to £7.22m on a turnover up 34 per cent to £155m, underlining the encouraging noises City analysts have been making about the company.

Mr Philip Dorgan, of brokers Scrimgeour Vickers, says that the group's "pursuit of excellence" means that "the recent heavy spate of investment has left them quite capable of further rapid, and highly profitable, expansion, to create a truly national chain of stores."

Iceland began life when Mr Walker, then 23, and his colleague, Mr Peter Hinchcliffe, were trainee managers with Woolworth. One Saturday night they bought a load of strawberries and sold them the next day from a roadside stall. Woolworth did not like this entrepreneurship, the two left and started their own shop, and then another, and another...

The group has built its growth on the twin policy of acquisitions and store openings. It has become, with Bejam, one of the two major freezer businesses in Britain. There the comparison ends. Bejam, with over 260 outlets, is heavily concentrated in the prosperous South East of England whereas Iceland's main trading areas are the North West, and South Wales. It has 18 outlets in Liverpool alone.

Outside the group's new Deeside freezer store which is crucial to expansion: and Mr Malcolm Walker, chairman.

Mr Walker, 42, who exudes enthusiasm and energy in equal proportions, looks enviously at the territory Bejam occupies. "We would love to be in the Home Counties," he says. "It's magic down there. Bejam has 96 of its stores in London and we have about 20. It's a more sophisticated selling area and there's greater value-added on what we would sell there. Our best-selling product in our Fulham shop is chicken Kiev. In Jarrow, we'd sell about three a week."

A merger might therefore seem the obvious way in to London for Iceland, especially as it is now becoming increasingly difficult for the company to buy competing chains, as it did last year with the acquisition of Fulham Frozen Foods (actually a group based in Doncaster, Yorkshire) with eight outlets, Igloo Freezer Foods with eleven and Freezeway, with five.

But Mr. Walker denies constant market rumours that he is about to make a move for Bejam. "We had talks with them about a year ago but they flopped and we have had no contact since. Nor do we have any plans to do so.

"We have come to the conclusion that we can make good growth in our own way. We have no holding in Bejam and there is no reason for anyone to anticipate that anything will happen between us."

When Iceland was floated in 1984 — the offer was oversubscribed a record 113 times — its high rating came from its speciality interests in frozen foods. "We know that anything we do to alter it would damage our standing," says Mr Walker. "But we must evolve and we think we have the credibility now to take on something else if it arose." But he says the company would not go outside of its field.

There has already been one diversion down a path that has not turned out completely satisfactory: 18 months ago the company decided to add grocery lines to its traditional frozen foods and quickly built up to the point where these contributed about a quarter of turnover.

"But we have pulled back a little recently," Mr Walker admits, "partly because we did not like the look of the shelves in the stores." He denies that the grocery business brought him into direct - and difficult - competition with the supermarket giants and their enormous buying power, merely saying "we are not a supermarket company."

His strategy is to continue to push turnover through a policy of new-store openings and, where possible, to increase the size of the store. Last year the group opened 19 and acquired a net 17 and the target this year is to add 25 to 30. Iceland is more or less on course with five in the first three months.

Within the stores, the plan is to move increasingly into more sophisticated lines offering greater profit margins. The days when Iceland concentrated on peas and fish fingers for the freezer in the garage have long gone.

Mr Walker says, for example that it now sells 14 types of potato product alone and last year introduced nearly 250 new lines. "In the US, consumption of freezer foods is two and a half times that in Britain. As we move in their direction Iceland can only benefit."

The new cold store is crucial to this expansion. Iceland supplies all its shops from Deeside and there are tight computer controls not only on finances, giving a complete picture of group sales and profits by the Tuesday following each week's trading, but also on orders.

A state-of-the-art picking system has been installed which allows orders to be received, processed and on their way overnight.

All this means a potential for growth which is admired in the City. The new distribution facilities will mean higherdepreciation and interest charges, but Mr Mark Josefson, an analyst at Shearson Lehman Securities, is still forecasting earnings growth of 15 per cent this year, and a fresh acceleration in 1989.

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday April 28 1988

Property	+ 15.36	Consumer Group	+ 5.70
Contracting,Construction	+ 16.62	Financial Group	+ 5.35
Leisure	+ 14.72	Textiles	+ 4.90
Brewers and Distillers	+ 12.06	Other Groups	+ 4.88
Investment Trusts	+ 12.02	Motors	+ 4.61
Oil & Gas	+ 11.42	Health & Household Products	+ 4.59
Shipping & Transport	+ 11.39	Metals & Metal Forming	+ 4.02
Food Manufacturing	+ 11.38	Insurance(Brokers)	+ 3.95
Telephone Networks	+ 11.06	Other Industrial Materials	+ 3.52
Electronics	+ 9.94	Mining Finance	+ 2.71
Overseas Traders	+ 9.29	Insurance(Life)	+ 2.60
Insurance(Composite)	+ 8.90	Electricals	+ 1.98
Mechanical Engineering	+ 8.36	Merchant Banks	+ 1.34
Agencies	+ 8.38	Food Retailing	+ 0.61
Capital Goods	+ 7.85	Stores	+ 0.80
Building Materials	+ 7.67	Publishing & Printing	- 1.14
500 Share Index	+ 6.77	Packaging & Paper	- 1.65
Conglomerates	+ 6.70	Banks	- 3.40
All Share Index	+ 6.67	Chemicals	- 4.30
Industrial Group	+ 6.61	Gold Mines Index	- 30.12

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	99	10	4	173	235	44
Corporations, Dom. and Foreign Bonds	22	2	28	26	87	95
Industrials	360	373	820	1,747	1,342	3,111
Financial and Props	174	104	367	672	411	1,481
Oils	23	35	50	130	68	234
Plantations	4	1	8	10	3	39
Mines	43	69	83	205	168	407
Others	57	90	99	401	232	351
Totals	782	684	1,459	3,364	2,546	5,762

BANK RETURN

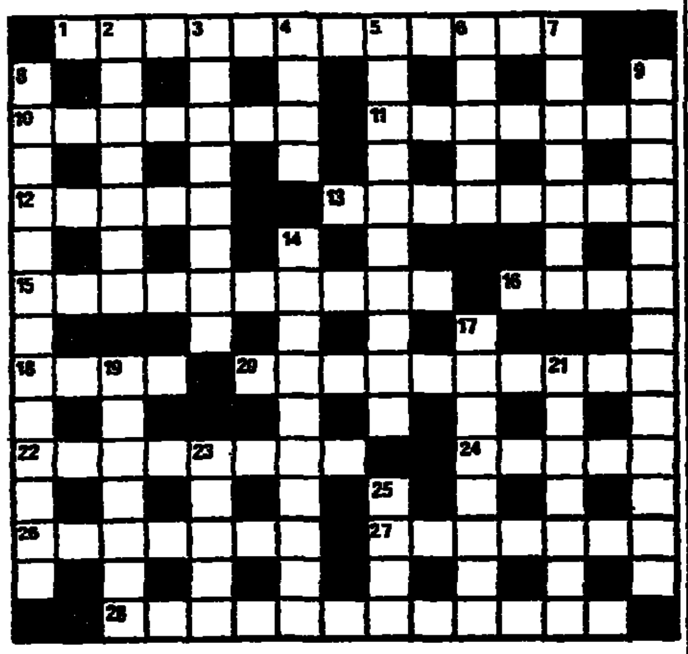
BANKING DEPARTMENT	Wednesday April 27, 1988	Increase (+) or decrease (-) for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	72,658,016	- 424,106
Bankers Deposits	1,210,111,526	+ 37,226,051
Reserve and other Accounts	1,904,726,639	+ 96,368,372
	3,202,049,181	+ 133,170,317
ASSETS		
Government Securities	603,448,128	- 37,946,123
Advance and other Accounts	702,582,610	- 322,264,495
Premises Equipment & other Secs	1,888,843,364	+ 494,318,316
Notes	6,924,227	- 936,169
Coin	270,852	+ 3,788
	3,202,049,181	+ 133,170,317

ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	13,633,075,773	+ 100,936,169
Notes in Banking Department	6,924,227	- 936,169
	13,640,000,000	+ 100,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	5,573,723,900	+ 163,486,804
Other Securities	8,055,261,000	- 63,486,804
	13,640,000,000	+ 100,000,000

JOTTER PAD

FT CROSSWORD No.6,620

SET BY HIGHLANDER



ACROSS

1 Clever girl keeping behind university player (12)
10 Dispute with rugby player: put your oar in here (7)
11 Kendal transformed on fourth of July? Barely! (7)
12 Dish does not have right flavouring (5)
13 Fire aggressive salesman exhausted by overwork (5,3)
15 True rising involves conspirators (10)
16 River is Polish and/or German (4)
18 High spirits shown by first German general in America (4)
20 Group is in position to obtain first-class turnover from plant (10)
22 Hostility from state is no different (8)
24 Architectural style of certain ancient Greeks (5)
26 Want to take a journey in the distant past (4,3)
27 Oxford pair about exhausted (7)
28 Sensibly encircles first in an organised military manner (12)

DOWN

2 Police uniform, in this case? (7)
3 Toes broken little by little, possibly? It's confidential (8)
4 Yorkshireman's dog (4)
5 In agreement with argument against general trend (10)
6 Finalise pencil roughs during family get-together (3,2)
7 Do good somehow: it's hard gaining admittance to divine state (7)
8 Sauce goes overboard with bedroom furniture (8,5)
9 Shore bird needs to carry these off round Cape (13)
14 Independent car – we French accept order (10)
17 Sell Tate off? This will cause prolonged conflict (8)
19 Rental changes after a quarter become permanent (7)
21 This season, it's said, Greece, it's said, is chaos (7)
23 Speech abuse (5)
25 Initially local officials could increase places (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 14.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds

Wealth Assoc.	378.4	398.3	—	—
Eb'r Ph. Eq.	330.4	351.4	—	—

Pension Plan Funds

Phoenix

UK Equity Acc.	166.6	175.3	-0.1	—
International Acc.	125.5	132.1	-0.5	—
Property Acc.	130.2	137.0	+0.1	—
Fixed Interest Acc.	154.8	162.9	+0.1	—
Money Acc.	138.7	146.0	+0.1	—
Bldg. Soc. Link Acc.	135.8	142.9	+0.1	—
Special Mnged. Acc. 0	147.2	154.9	-0.1	—

Phoenix/Framlington

Intnl. Growth Acc.	86.4	91.0	+0.3	—
Amer. & Gen. Acc.	80.0	84.2	+0.2	—
Capital Tst. Acc.	167.5	176.3	-0.1	—
Japan & Gen Acc.	189.9	199.8	+1.6	—
American Turn. Acc.	84.5	88.9	-0.5	—
Recovery Tst. Acc.	169.0	177.8	+0.7	—
Special Mngd Acc.	142.1	149.5	-0.2	—

Phoenix/GT

International Acc.	122.8	129.2	+0.4	—
US & General Acc.	86.2	90.7	-0.6	—
Amer Spec Sits Acc.	65.2	68.6	-0.4	—
Japan & General Acc.	190.7	200.7	-2.7	—
Far East & Gen Acc.	146.0	153.6	-1.9	—
UK Capital Acc.	171.0	180.0	—	—
European Acc.	132.1	139.0	+0.4	—
Special Mngd Acc.	125.7	132.3	+0.5	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.6	274.5	—	—
Man Pen. Inc & Cap Fds.	334.5	352.2	—	—
Money Fund	112.2	118.2	—	—
Pen. Mngd Fd (Init)	82.2	86.6	—	—
Pens Mngd Fd (Acc)	93.3	98.3	—	—
Pen. FT30 Fd (Init)	126.2	132.9	—	—
Pen. FT30 Fd (Acc)	143.2	150.8	—	—
Pen O'seas MgFd(Init)	57.0	60.0	—	—
Pen O'seas MgFd(Acc)	64.7	68.2	—	—
Pens Fxd Int Fd (Init)	106.1	111.7	—	—
Pens Fxd Int Fd (Acc)	120.4	126.8	—	—
Pens Deposit Fd (Init)	101.2	106.6	—	—
Pens Deposit Fd (Acc)	114.8	120.9	—	—

Premium Life Assurance Co Ltd

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prudent

Managed Apr 27	198.9	207.2	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	424.0	446.4	-0.8	—
Equity Fd.	849.9	893.9	-0.7	—
Intnl. Fd.	293.9	309.4	-1.9	—
Fixed Int. Fd.	365.2	384.5	+0.7	—
Prop. Fd.	320.3	337.1	—	—
Cash Fd.	241.5	254.3	—	—
Pacific Basin Fd.	171.0	180.1	-0.3	—
North American Fd.	119.9	126.3	-1.1	—
European Fd.	120.1	126.5	-0.6	—
Holborn Balanced Gth Fd.	99.3	104.6	—	—
Holborn Strategic Gth Fd.	97.9	103.1	+0.1	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	463.5	487.9	-0.8	—
Equity	650.8	691.4	-0.8	—
Global Equity	192.5	202.7	-1.2	—
Fixed Interest	376.7	396.6	+0.2	—
Property	314.8	331.4	—	—
Cash	139.6	147.0	+0.1	—
Index Linked Gilt	165.4	174.2	-0.4	—
Guaranteed	7.92	—	—	—
International Money	182.6	192.3	—	—
North American Fd.	54.7	57.6	-0.2	—
Japanese Fund	124.4	131.0	-0.5	—
European Fund	65.9	69.4	-0.3	—
Special Situations Fd.	94.0	99.0	+0.2	—
Communications Fund	79.7	83.9	+0.1	—
Smaller Cos Fund	95.0	100.1	+0.2	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretionary Apr 20	£123.95	127.45	—	—
Equity Fund Apr 20	£134.08	138.11	—	—
Intnl. Fund Apr 20	£20.15	20.79	—	—
Intl Bond Fd Apr 20	£10.11	10.25	—	—
Fixed Int. Apr 20	£68.35	69.20	—	—
Index Linked Apr 20	£32.25	32.89	—	—
Property Fund Apr 20	£83.08	88.43	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
1,148	Treas 9¾pc Cv '88	100¼	7.96	9.11	14Dec 14Jun	1350
1,302	Transport 3pc '78-88	99	6.09	25.11	1Jan 1Jul	1237
2,050	Treas. 9½pc '88	100	8.51	21.3	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	102	8.53	18.1	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	100	8.59	11.9	18Oct 18Apr	1348
500	Treas 3pc 1989	96¾xd	6.17	26.03	15Nov 15May	1327
1,400	Treas 10½pc 1989	101	8.84	9.11	14Dec 14Jun	1287
2,400	Exch. 10pc 1989	101	8.80	29.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	102	8.76	24.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	96¼	7.33	9.3	15Apr 15Oct	1329
535	Exch 10¼pcCv '89	103xd	8.16	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	104	8.77	9.12	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	103	8.87	6.1	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	106	8.88	17.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	95xd	6.24	5.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	99	8.83	9.11	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990	100	7.78	–	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	102	8.93	21.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	90xd	6.54	16.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	106	9.00	4.12	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	94	7.92	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	89xd	7.03	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡	103	8.78	7.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	105	8.99	21.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	97	8.98	3.11	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	111	9.06	19.1	22Jul 22Jan	1297
1,600	Treas 10pc 1992	103	9.03	15.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡	96	8.98	11.6	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	104xd	9.06	1.9	7Nov 7May	1289
500	Treas. 3pc 1992	85	7.21	4.11	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	110	9.13	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	115	9.14	17.8	22Mar 22Sep	1266
1,850	Treas 10pc 1993‡‡	103	9.07	9.3	15Oct 15Apr	1279
	Five to Fifteen Years					
1,100	Treas 12½pc 1993‡‡	113	9.18	18.03	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	92	7.78	8.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	119xd	9.22	19.10	23May 23Nov	1304
–	Treas. 8½pc 1994	96				–
600	Treas 14½pc 1994‡‡	123	9.19	25.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	118xd	9.36	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	103	9.20	2.11	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	114	9.39	18.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	99xd	9.11	11.4	17May 17Nov	1345
2,350	Treas 12pc 1995	112	9.41	21.12	25Jul 25Jan	1294
214	Exch 3pc Gas 90-95	80xd	6.58	25.9	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	104	9.35	15.12	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	117xd	9.40	8.4	15May 15Nov	1298
900	Treas. 14pc '96	123	9.56	15.12	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	99	9.13	8.2	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	131xd	9.56	28.9	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	120xd	9.46	8.4	15Nov 15May	1268
41	Redemption 3pc 1986-96	84	5.37	24.2	1Apr 1Oct	1278
1,109	Conversion 10pc 1996	103xd	9.45	8.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	121	9.53	16.12	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	106	9.47	15.1	21Aug 21Feb	1253
2,600	Treas 8¾pc 1997‡‡	96½	9.32	25.1	1Mar 1Sep	1341
1,000	Tr 8¾pc Ln "C" 1997	96½	9.32	–	1Mar 1Sep	4777
1,000	Exch 15pc 1997	132xd	9.70	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	101	9.46	14.12	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	85xd	8.97	25.9	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	137	9.66	22.2	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	115xd	9.56	13.03	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	101	9.32	9.12	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	117	9.56	18.2	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	107xd	9.47	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	105xd	9.46	16.10	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	94	9.26	22.12	28Jan 28Jul	1338
1,404	Conversion 9pc 2000‡‡	98	9.29	26.1	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	123	9.62	8.12	14Jan 14Jul	1299
1,050	Treas 10pc 2001	104½	9.38	20.1	26Aug 26Feb	1280
1,250	Treas. 14pc '98-01	127xd	9.67	16.10	22Nov 22May	1306
802	Conversion 9¾pc 2001	102	9.37	4.1	10Feb 10Aug	1248
1,600	Exch. 12pc '99-02	115	9.57	16.12	22Jul 22Jan	1261
716	Conversion 10pc 2002	105	9.34	4.9	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	103	9.34	21.1	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	97xd	9.27	12.4	19May 19Nov	1272
	Over Fifteen Years					
1,800	Treas. 13¾pc 2000-03	129	9.65	21.12	25Jan 25Jul	1303
1,000	Treas 10pc 2003	105	9.29	1.2	8Mar 8Sep	1281
1,900	Treas. 11½pc 2001-04	115	9.47	11.2	19Sep 19Mar	1290
900	Treas. 10pc 2004	106xd	9.25	11.4	18Nov 18May	1282
443	Funding 3½pc '99-04	58	8.22	8.12	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	102	9.22	21.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	102	9.21	11.9	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	111	9.20	12.2	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003-05	125xd	9.36	15.10	21May 21Nov	1295
1,800	Treas. 8pc 2002-06‡‡	90	9.13	1.9	5Apr 5Oct	1334
359	Conversion 9¾pc 2006	104xd	9.20	8.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003-07	119	9.34	16.12	22Jul 22Jan	1293
1,250	Treas 8½pc 2007 ‡	95	9.06	10.12	16Jan 16Jul	1339
1,250	Treas. 13½pc '04-08	134	9.32	18.2	26Sep 26Mar	1301
1,000	Treas. 9pc 2008 ‡	99	9.04	7.9	13Apr 13Oct	1343
1,000	Treas 8pc 2009	90	9.02	19.8	25Mar 25Sep	1336
369	Conv 9pc Ln 2011	99½	9.04	7.12	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008-12‡‡	66	8.80	2.2	10Mar 10Sep	1330

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Save & Prosper International—Contd.

Equity Funds

Europe	57.58	8.21	+0.01	–
Far Eastern	59.27	10.05	+0.03	0.85
Global Portfolio Fd £	£5.22	5.65	+0.02	0.05
Global Portfolio Fnd $	$9.80	10.60	+0.04	0.05
Gold	$15.65	16.92	+0.03	–
Japan	$17.39	18.81	+0.42	0.06
N. American	$11.47	12.40	–0.03	0.34
UK Growth	252.6	273.2	+0.3	2.03

Taipei Fund

Taiwan (ROC) Fund

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,358.5	TRW Inc. 62½c	22¾xd	$1.60	3.8	11.8	Ma Ju Se De	4318
3,406.3	Tenneco $5	23¼xd	$3.04	7.2	11.8	Mr Jn Sp Dc	4194
6,405.2	Texaco $6.25	26¼xd	$3.00	6.2	31.7	Mr Je Se De	4200
4,516.1	Time Inc. $1	47½	$1.00	1.2	24.01	Mr Ju Se De	4234
1,323.1	Transamerica $1	17¾	$1.84	5.8	31.3	Ja Ap Ju Oc	4289
489.7	Transworld Corp $5	946p	20c	1.2	11.11	Fe My Au No	–
555.3	TRINOVA Corp	16¼	56c	1.9	9.11	Mc Je Se De	4309
4,438.2	USX $1	17¼	$1.20	3.9	30.10	Mr Je Se De	4380
2,734.4	Utd. Technologies	21	$1.60	4.2	19.5	Mr Jn Sp Dc	4381
5,685.5	US West	28¼	$3.52	6.8	13.4	Fb My Ag No	–
4,313.6	Waste Management $1	19¼	36c	1.0	21.3	Ap Jy Oc Jan	4439
960.6	Whirlpool $1	13¾	–	–	25.01	Mr Jn Se De	–
1,994.9	Woolworth $3½	38¼	$1.64	3.0	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	217p	–	–	–	–	–
–	Abbot Energy Corp	13p	–	–	–	–	–
748.8	Amer Barrick Res	13	–	–	–	–	–
–	American Lightwave	84½p	–	–	–	–	–
–	Armeno	28p	–	–	–	–	–
–	Augmitto Expln.	50p	–	–	–	–	–
1,782.6	Bk Montreal	11¼	$2.00	7.8	9.11	Fb My Ag Nv	–
917.2	Bk Nova Scot.	553p	76c	6.1	28.3	Ja Ap Ju Oc	–
4,491.9	BCE	16½xd	$2.44	6.5	10.02	Ap Jy Oc Ja	–
273.7	Bow Valley	661p	40c	2.7	15.12	May Nov.	–
738.3	Bracan	18¾	88c	3.6	28.10	Ja Ap Jy Oc	–
49.8	Brealwater Res	222p	10c	2.0	–	–	–
1,391.3	Can Imp Bank	[illegible]	$1.16	5.8	29.12	Fe My Au No	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987-88 High	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's	P/E	Dividends Paid	City Line
[illegible]									
0.29	Moray Firth 50p	12		–	–	–		–	3412
10.3	Norton Group 5p ....γ	20		–	–	–		–	4674
1.74	Ovoca Gold IR 2p. γ	55		–	–	–		–	1470
5.63	Propeller 1p ....γ	45		–	–	–		–	3729
2.76	Publishing Hldgs 5p. γ	17		–	–	–		–	3755
4.85	Seacon Hldgs ....γ	70		–	–	–		–	3968
5.52	Stals Hldgs. 5p ....γ	20		–	–	–		–	4625
4.99	Swanyard Studios 1p. γ	3½		–	–	–		–	4666
22.3	Takare ....γ	255		b1.0	0.5	–		–	4647
8.85	Theme Holdings ....γ	46xd		1.1	3.2	25.4		June Dec	4206
2.91	Tomorrows Leisure 20p. γ	26		–	–	–		–	4248
11.3	Tullow Oil 10p ....γ	18		–	–	–		–	4886
4.92	UPL Group 10p ....γ	123		L2.41	2.6	–		–	4362
5.75	Unit Group ....γ	142		R4.6	4.3	9.11		Jan July	4357
6.36	Video Tape Recording 5p.	92		L2.3	3.4	–		–	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C [illegible] estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ....γ	71	+1
Craig & Rose £1 ....γ	688	.....
Finlay Pkg. 5p ....γ	79	.....
Holt (Jos) 25p ....γ	£11¼	.....

IRISH

Nat. 9¼% 84/89 ..	£101	.....
9pc Cap Ln. 1996 ..	£98½	.....
Fin. 13% 97/02 ...	£118¾	.....

Arnotts ....γ	300	.....
CPI Hldgs ....γ	86	.....
Carrol Inds ....γ	153	+1
Hall (R. & H.)	117	.....
Helton Hldgs ....γ	40	.....
Irish Ropes ....γ	123	.....
Unidare ....γ	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	40
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intal	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property

Brit Land	28
Land Securities	40
MEPC	48
Peachey	40

Oils

Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24

Mines

Cons Gold	100
Lonrho	27
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

WORLD STOCK MARKETS

CANADA

TORONTO

Prices at 2.30pm May 2

MONTREAL

Closing prices May 2

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 35

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK — DOW JONES

	Apr 29	Apr 28	Apr 27	Apr 26	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2032 33	2041 28	2047 91	2044.76	2110 08 (12/4)	1879 14 (20/1)	2722 42 (25/8/87)	41 22 (2/7/32)
Home Bonds	88 79	88 90	88 87	88 83	91 25 (3/3)	86.12 (4/1)	–	–
Transport	842 00	840 20	845 45	850 81	904 12 (23/3)	737 57 (21/1)	1101 16 (14/8/87)	12 32 (8/7/32)
Utilities	170 64	170 40	170 82	171 17	190 02 (29/1)	167 26 (20/4)	227 83 (22/1/87)	10 50 (8/4/32)

◆Day's High 2047 91 (2057 53) Low 2014 09 (2026 03)

STANDARD AND POOR'S	Apr 29	Apr 28	Apr 27	Apr 26	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	261 33	262 61	263 80	263 93	271 55 (13/4)	242 63 (20/1)	336 77 (25/8/87)	4 40 (1/6/32)
Industrials	304 48	306 09	307.54	307 51	316 53 (13/4)	277 86 (20/1)	393 17 (25/8/87)	3 62 (21/6/32)
Financials	22 15	22 34	22.36	22 46	24 04 (3/3)	21 51 (8/1)	32 43 (25/8/87)	8 64 (1/10/74)
NYSE Composite	147 87	148 33	148 94	148 93	153 20 (13/4)	136 72 (20/1)	187 99 (25/8/87)	4 46 (25/4/42)
Amex Mkt value	303 14	301 50	301 16	301 45	306 59 (12/4)	262 76 (12/1)	365 01 (13/8/87)	29 31 (9/12/72)
NASDAQ OTC Comp	379 23	378 77	378 67	377 84	383 41 (13/4)	331 97 (12/1)	455 26 (26/8/87)	54 87 (31/10/72)

	Apr 22	Apr 8	Apr 1	year ago (approx)
Dow Industrial Div Yield	3 47	3.35	3 35	2 99

	Apr 27	Apr 20	Apr 13	year ago (approx)
S & P Industrial div yield	3 07	3 15	2 90	2 47
S & P P/E ratio	15 16	14 70	15 60	22 12

TRADING ACTIVITY •Volume

Millions	Apr 29	Apr 28	Apr 27
New York	135 730	136 625	134 683
Amex	9 480	8 514	16 480
OTC	121 338	128 808	122 366

NEW YORK	Apr 29	Apr 28	Apr 27
Issues Traded	1 960	1 939	1 955
Rises	736	601	765
Falls	725	839	896
Unchanged	499	499	494
New Highs	14	17	21
New Lows	17	11	8

CANADA

TORONTO	Apr 29	Apr 28	Apr 27	Apr 26	1988 High	1988 Low
Metals & Minerals	2783 4	2792 8	2822 6	2846 8	2877.5 (19/4)	2238 7 (8/2)
Composite	3339 8	3341 0	3345 8	3344 0	3402 4 (12/4)	2977 9 (8/2)
MONTREAL Portfolio	1639 38	1641 55	1643 72	1645 27	1681.54 (12/4)	1305 06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
P Svc NM	4 246 500	16½		Texaco	1 423 400	50⅛	+ ⅛
Union Carbide	2 218 200	23⅞	⅛	Exxon	1 415 600	44⅞	- ⅛
AT&T	2 166 800	26⅛		General Electric	1 400 800	40⅛	- ⅛
Phillips Pet	1 634 400	17⅞	+ ⅛	Computer Associates	1 242 600	25⅛	- ⅛
USX	1 426 000	32⅛		Lucky Stores	1,201 000	61⅛	- ⅛

Base values of all indices are 100 except NYSE All Common - 50 Standard and Poor's - 10 and Toronto Composite and Metals - 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials plus 40 utilities 40 Financials and 20 transports (c) Closed (u) Unavailable

	May 2	Apr 29	Apr 28	Apr 27	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1455 5	1456.5	1449 9	1443.5	1467 6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	703 6	703 0	697.9	691.8	773 6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	177 62	177 74	176 85	176.86	178 92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	(c)	4690.8	4669.1	4663 4	5043 1 (9/3)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(c)	196.49	196.14	200.07 (11/4)	180 68 (4/1)
FINLAND						
Unitas General (1975)	655 4	654.5	658.6	659.7	659.7 (27/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	310.2	312 5	(u)	312 0	312.5 (29/4)	251.3 (29/1)
Ind Tendance (31/12/87)	112 1	112.6	114 2	112.3	114.2 (28/4)	89 7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	447.16	447.07	449.21	446 69	476 37 (18/3)	396 40 (29/1)
Commerzbank (1/12/53)	1361 3	1356.2	1367 5	1362.5	1457 5 (18/3)	1207 9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2589 89	2602.87	2588.14	2592.02	2684 13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com Ital (1972)	500 64	505.7	500 45	502 79	545 07 (18/3)	423 91 (9/2)
JAPAN·						
Nikkei (16/5/49)	27669 72	(c)	27434.12	27191 97	27669 72 (2/5)	21217 04 (4/1)
Tokyo SE New (4/1/68)	2213 08	(c)	2189.42	2170.51	2213 08 (2/5)	1690 44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	245 9	248.1	249 2	250.2	280 3 (24/2)	205 7 (4/1)
ANP-CBS Industrial (1970)	203.5	204 4	206.6	206.7	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	393 79	398.3	401 12	402 00	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind (30/12/66)	(c)	965 94	961 40	956.90	969.40 (21/3)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1187 0	1207 0‡	1221.0	1215 0	1790 0 (7/1)	1186.0 (22/4)
JSE Industrial (28/9/78)	1482.0	1485.0‡	1491 0	1489 0	1564 0 (11/1)	1387 0 (12/2)
SPAIN						
Madrid SE (30/12/85)	(c)	270 59	270 91	271.68	281 14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P (31/12/56)	2825 1	2793 8	2770.8	2799.2	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	519.7	519.2	520.1	519 8	539.5 (18/3)	466.6 (13/1)
WORLD						
M S Capital Intl (1/1/70)	(u)	458.2	459 4	457 8	463 4 (13/4)	401 8 (21/1)

· Saturday April 30. Japan Nikkei 27,509 54. TSE 2195 39

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255 7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

AMERICA

Oil stocks tumble in light trading

Wall Street

AFTER a weak start, Wall Street stocks recovered in late trading as the bond market recouped early losses in light trading, *writes Deborah Hargreaves in New York.*

The crude oil price dropped sharply amid turbulent trading on the New York Mercantile Exchange, where oil fell 67 cents to $17.33 a barrel, sending oil stocks tumbling. Exxon declined $⅞ to $44⅞, Chevron slipped $⅞ to $47⅞, Amoco was off $⅞ to $77⅛ and Texaco dropped $⅞ to $52⅛.

The credit market was given a brief boost by news that Opec had failed to reach agreement on oil output with non-member producing countries. However, it edged downwards for the rest of the day, before recouping some of its losses in late trading.

The Treasury bond market was largely moved by the release of March factory orders, which – at a 1.6 per cent rise on February – were higher than expected and renewed fears of overheating in the economy.

The Dow Jones Industrial Average regained its earlier losses in a late rally to close at 2,043.27, 10.94 points up. Trading was light, dominated by activity in a few dividend issues.

Electricity utility company, Central & South West, accounted for a large part of the 13.6m shares that changed hands. The company, which remained unchanged at $31⅜, carries a 7.7 per cent dividend yield and goes ex-dividend today.

Declining issues were leading those advancing by four to three. Broader market indices were little changed; with the Standard & Poors 500 up 0.31 to 261.54 and the New York Stock Exchange Composite off 0.04 to 147.83.

In the takeover field, USG Corp the building products firm, increased $⅜ to $41⅜ after Desert Partners, which is seeking to acquire the company, said it would raise its bid to $45 a share from its previous offer of $42.

Irving Trust rose $⅛ to $61⅞ after Bank of New York said it would extend its offer for the company, which is also being sought by Italian bank, BCI. Bank of New York rose $⅛ to $30⅛.

Among companies reporting quarterly results, troubled Dallas banking group, First RepublicBank, increased $⅛ to $24⅞, after announcing it would reorganise its board.

United Brands soared $3 to $51½ on higher earnings and news of a three-for-one stock split. However, LTV Corp lost $⅛ to $3⅛.

Allegis Corp gained $2⅞ to $84⅜ after announcing that it would sell part of its reservations system to a consortium of buyers.

After dropping all day, the Treasury bond market recovered slightly in light trading amid continuing inflation fears. Construction spending figures for March, which were released yesterday, showed a higher than expected increase of 1.6 per cent – the biggest monthly rise since April 1987.

These figures and the March factory orders number pushed the Treasury long bond down ¼ to 97⅜ with a yield of 9.11 per cent.

The credit market has its eyes on Friday's employment report, and trading continues to be patchy.

Canada

THE MARKET closed on a mixed note after shadowing the late Wall Street rally.

The composite index, which had fallen more than 15 points at midday, edged up 0.4 to 3,340.2. However, declines outpaced advances by 520 to 302 on volume of 18m shares.

EUROPE

Firmer dollar leaves investors unmoved

THE MAY DAY weekend, celebrated by a holiday in London, Brussels and Madrid yesterday, left trading floors very quiet on continental bourses that were open for business. A slight rise in the dollar failed to inspire investors, who remained hesitant about Wall Street's direction.

FRANKFURT was unsettled by worries about a rise in interest rates and by a forecast from five leading economic research institutes that growth would slow markedly next year.

Many investors shunned the bourse, and there were few significant price movements. The FAZ index closed 0.08 higher at 447.15, but did not reflect later selling.

Viag, the energy, aluminium and chemicals group, lost DM1.30 to close at DM210.70. The Government later announced it would sell its 60 per cent stake at DM210 a share.

Utility RWE, which has emerged as a bidder for Texaco's German subsidiary, rose 80 pfg to DM203.30.

One of the day's few strong gains came from retailer Asko, up DM40, or 5.6 per cent, to DM750 following a buy recommendation from a UK house.

Dresdner was a major loser among banks, falling DM4.10 to DM237.90.

Bonds rose by about 15 pfg on bargain-hunting and short-covering after last week's falls. The yield on the federal 6⅛ per cent 1998 bond eased to 6.47 per cent after 6.49 per cent on Friday.

PARIS ended higher after a late round of bargain-hunting reversed earlier losses, but trading remained subdued with few foreign investors in sight. The Indicateur de Tendance eased 0.50 to 112.10, without reflecting the late pick-up.

Moulinex added FFr3.35 to FFr76.35 after announcing better first quarter turnover and Beghin-Say climbed FFr11.20 to FFr396.40 after trebling its group profit in 1987.

Peugeot put on FFr6 to FFr1,036, while Cie du Midi, recent target of takeover speculation, was steady at FFr1,750.

MILAN fell after oscillating in thin trading, with the Comit index losing 5.06 to 500.64.

De Benedetti group stocks rose in early trading on news that a group of shareholders, led by Mr De Benedetti, had gained control of the board of Italy's second-largest private bank, Credito Romagnolo. Holding Cir rose L90 to L5,700 but then fell to close L80 lower at L5,530.

STOCKHOLM was dominated by the sale of brokerage firm Carnegie to the state-controlled bank PK-Banken. Carnegie shares rose SKr34 to SKr220.

The sale gave a significant boost to the bourse, with the Jacobson & Poors index rising 31.3 to 2,525.1.

ZURICH saw little activity in spite of a stronger dollar, with investors cautious following Wall Street's uncertain performance last week. The Crédit Suisse index shed 1.5 to 447.6.

Jacobs Suchard, whose shares had risen in the middle of last week after Nestlé's takeover bid for Rowntree, of which Jacobs has 29.79 per cent, fell SFr625 to SFr7,550 ex rights and dividend.

AMSTERDAM failed to find encouragement from a higher dollar and ended lower in thin trading, with international investors sidelined. The CBS all-share index lost 0.5 to 84.3.

Royal Dutch shed Fl 3.10 to Fl 227.40 after the Organisation of Petroleum Exporting Countries failed to agree on export cuts at the weekend.

OSLO was hit by worries over the fall in the price of Norway's North Sea oil but trading was thin. Norsk Hydro shed NKr4 to NKr201.

● SOUTH AFRICAN shares fell as the bullion price dropped to around $445 on prospects of lower oil prices.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	MONDAY MAY 2 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	FRIDAY APRIL 29 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (89)	122.08	+0.1	96.56	107.14	4.06	122.00	96.24	106.99	122.31	91.16	129.02
Austria (16)	91.52	-0.7	72.39	79.90	2.62	92.15	72.69	79.90	98.18	84.35	91.54
Belgium (65)	126.34	+0.0	99.93	109.83	4.55	126.34	99.66	109.83	139.89	99.14	120.68
Canada (125)	123.12	-0.3	97.38	109.87	3.04	123.52	97.44	109.93	125.49	107.06	126.33
Denmark (39)	119.41	-0.4	94.45	105.05	2.74	119.86	94.54	105.18	123.36	113.42	115.44
Finland (25)	127.18	-0.6	100.59	107.11	1.96	127.89	100.88	107.09	127.94	106.78	–
France (121)	89.05	+0.0	70.43	79.60	3.97	89.05	70.24	79.51	90.19	72.77	120.54
West Germany (99)	76.47	+0.0	60.48	66.75	2.75	76.44	60.30	66.55	80.79	67.78	93.91
Hong Kong (46)	102.77	-0.4	81.28	103.22	4.41	103.16	81.37	103.53	105.83	84.90	106.54
Ireland (18)	122.61	-0.3	96.98	108.80	4.21	122.94	96.98	108.68	123.91	104.60	124.97
Italy (102)	75.29	-1.4	59.55	70.20	2.67	76.33	60.21	71.00	81.74	62.99	111.99
Japan (457)	176.27	+1.1	139.42	139.17	0.51	174.38	137.56	137.68	177.27	133.61	156.30
Malaysia (36)	131.60	+0.0	104.09	130.48	2.71	131.56	103.78	130.39	131.60	107.83	151.13
Mexico (14)	131.20	+0.7	103.77	327.20	1.09	130.30	102.79	324.82	176.90	90.07	180.98
Netherland (38)	107.65	-1.2	85.15	92.45	5.00	108.93	85.93	93.37	110.66	95.23	113.66
New Zealand (22)	77.90	+0.0	61.62	61.47	5.34	77.92	61.46	61.53	79.15	64.42	94.39
Norway (25)	125.22	-2.5	99.04	100.96	2.81	128.53	101.39	103.59	132.25	98.55	131.02
Singapore (26)	111.67	+0.0	88.33	103.08	2.42	111.62	88.05	103.08	114.93	97.99	126.05
South Africa (60)	123.75	-0.9	97.88	78.40	5.45	124.91	98.53	79.13	139.07	118.16	175.45
Spain (42)	151.72	+0.6	120.00	126.55	3.36	150.83	118.97	126.55	155.36	130.73	110.75
Sweden (38)	123.31	+0.6	97.53	107.36	2.63	122.58	96.69	106.57	124.75	96.92	121.98
Switzerland (56)	79.26	-0.5	62.69	68.67	2.48	79.64	62.82	68.80	86.75	76.22	98.68
United Kingdom (329)	140.12	+0.0	110.82	110.82	4.32	140.49	110.82	110.82	141.18	123.09	139.32
USA (583)	106.46	+0.1	84.20	106.46	3.64	106.37	83.91	106.37	110.51	99.19	118.58
Europe (1013)	109.20	-0.3	86.37	91.41	3.82	109.51	86.38	91.50	110.71	97.01	119.36
Pacific Basin (676)	171.25	+1.0	135.45	136.42	0.69	169.51	133.71	135.03	172.26	130.81	153.41
Euro-Pacific (1689)	146.43	+0.6	115.82	118.56	1.63	145.52	114.79	117.75	147.53	120.36	139.83
North America (708)	107.35	+0.1	84.91	106.68	3.60	107.29	84.63	106.60	111.28	99.78	119.00
Europe Ex. UK (684)	90.05	-0.3	71.23	79.21	3.36	90.33	71.26	79.34	92.81	80.27	107.00
Pacific Ex. Japan (219)	110.68	-0.1	87.54	101.15	4.14	110.77	87.38	101.18	111.82	97.51	118.22
World Ex. US (1888)	145.39	+0.6	114.99	117.95	1.71	144.55	114.02	117.18	146.49	120.26	139.76
World Ex. UK (2142)	129.43	+0.5	102.37	114.34	2.09	128.79	101.59	113.74	130.28	111.77	130.72
World Ex. So. Af. (2411)	130.41	+0.4	103.14	114.25	2.29	129.84	102.42	113.70	130.96	113.26	131.20
World Ex. Japan (2014)	108.33	-0.1	85.68	100.91	3.72	108.42	85.53	100.90	110.99	100.00	119.68
The World Index (2471)	130.37	+0.4	103.11	113.99	2.31	129.82	102.40	113.45	130.92	113.37	131.48

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Danish and Japanese markets closed April 29.

CONSTITUENT CHANGES: Deletions; CIL Inc. (Canada) and Seter Deferred (UK). Name change; Systems Designers to SD-Scicon (UK).

Markets closed May 2, Singapore, Belgium, UK and Spain (Madrid)

ASIA

Nikkei hits high in pre-holiday spree

Tokyo

UNEXPECTEDLY brisk and heavy buying drove the Nikkei average to its third consecutive record high in Tokyo yesterday before the three-day Golden Week holiday, *writes Shigeo Nishiwaki of Jiji Press.*

The market indicator jumped 191.18 from Saturday's half-day session to hit 27,660.72, on turnover of 902m shares, up from Friday's 843m. The Nikkei ranged from 27,520.71 at the start to 27,676.65 shortly before the close. Gains led losses by 554 to 348, with 158 issues unchanged.

Many institutional investors had finished their necessary trading last week and made no conspicuous moves yesterday, but securities house dealers and individuals bought a wide variety of stocks in the expectation of higher stock prices this month.

Buyers were encouraged by the failure of the Organisation of Petroleum Exporting Countries (Opec) to reach agreement on a production cutback and by the yen's easier tone in Tokyo.

Toshiba drew buying due to the tight supply-demand situation in the semiconductor market. It topped the active list with 101.18m shares traded, far ahead of the rest, and rose Y8 to Y888.

Fujitsu climbed Y50 to Y1,630, exceeding its all-time high of Y1,610 registered on October 6, and saw 27.07m shares traded.

The sharp gain by Toshiba spurred investors to seek other high-tech stocks. Oki Electric hit a record high of Y941, rising Y43, while Ricoh advanced Y50 to Y1,430 and NEC Y40 to Y2,340.

Shipping company Nippon Yusen added Y20 to Y686 on a report that it would advance into the leisure market in a tie-up with the Seibu Saison group, and leading trading houses. Its volume was the second highest, totalling 53.05m.

Large-capitalisation stocks gained ground, though volume was not so large. Kobe Steel rose Y19 to Y351 on the third heaviest trading of 28.28m shares. Nippon Steel gained Y7 to Y474 and Mitsubishi Heavy Industries closed Y20 higher at Y740.

Among synthetic fibres, Toray, which was the 10th most active stock with 15.92m shares, rose Y19 to Y869, and Teijin Y14 to Y864 on active buying by investment trusts.

Bond trading was hesitant and lacklustre. Only dealers with relatively heavy positions continued to sell in small lots, causing yields to dip.

The yield on the benchmark 5.0 per cent government bond due in December 1997 closed at 4.510 per cent, compared with 4.500 per cent for Saturday, after moving within a narrow range of 4.490 to 4.520 per cent. Trading in the issue came to only Y399.5bn.

Expectations that shares would continue to rise prompted investors to seek a wide range of issues on the Osaka Securities Exchange, centring on small-capital companies based in western Japan.

The OSE average hit another record high of 27,617.20, up 193.76 from Saturday. Transactions amounted to 137m shares, up 43m from Friday's full-day session.

Nintendo continued to advance, rising Y170 to Y9,820.

Australia

TRADING focused on the Bell group of companies but volume was very low following Wall Street's listless session on Friday and with the UK closed yesterday and Tokyo starting a three-day holiday today. Computer problems prevented access to market indices in the morning.

The All Ordinaries index ended 1.0 lower at 1,455.5 in turnover of 44m shares worth A$50m.

As investors considered the implications of Mr Robert Holmes à Court's sale of his controlling interest in the Bell stable, Bell Resources rose 6 cents to A$1.68 and Bell Group 10 cents to A$1.20 on 8m shares. BHP, in which Bell Resources holds 10 per cent, added 2 cents to A$7.62.

Bond Corp, which bought 19.9 per cent of Bell Group, was unchanged at A$1.85 after rising 14 cents on Friday.

Among miners, MIM, which will be listed in Frankfurt from Friday, eased 1 cent to A$1.66.

Hong Kong

A LISTLESS day saw shares end slightly down in low volume as investors found little direction from Wall Street's performance on Friday and with London closed for a holiday.

The Hang Seng index eased 12.98 to 2,589.89 in turnover worth HK$692m compared with Friday's HK$772m.

Allied Properties gained 2½ cents to HK$3.175 after announcing a HK$845m hotel joint venture in Hong Kong.

Singapore was closed.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange against four key currencies on Friday April 29,1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	52.8065	31.5329	42.2790
Albania (Lek)	10.0839	5.3652	3.2037	4.2955
Algeria (Dinar)	10.1688	5.4103	3.2307	4.3317
Andorra (Fr Fr)	10.70	5.6930	3.3995	4.5580
(Sp Peseta)	207.80	110.5613	66.0206	88.5197
Angola (Kwanza)	57.12	30.3910	18.1477	24.3322
Antigua (E Carr $)	5.09	2.7081	1.6171	2.1682
Argentina (Austral)	11.4793	6.1076	3.6471	4.8900
Aruba (Florin)	3.3715	1.7938	1.0711	1.4362
Australia (Aus $)	2.4820	1.3205	0.7885	1.0572
Austria (Schilling)	22.105	11.7611	7.0230	9.4164
Azores (Port Escudo)	256.25	136.3394	81.4138	109.1586
Bahamas (Bahama $)	1.8795	1	0.5971	0.8006
Bahrain (Dinar)	0.7065	0.3758	0.2244	0.3009
Balearic Is (Sp Peseta)	207.80	110.5613	66.0206	88.5197
Bangladesh (Taka)	58.30	31.0188	18.5226	24.8349
Barbados (Barb $)	3.7883	2.0155	1.2035	1.6137
Belgium (Belg Fr)	65.85c	35.0359	20.9213	28.0511
	66.25g	35.2487	21.0484	28.2215
Belize (B $)	3.7670	2.0042	1.1968	1.6046
Benin (CFA Fr)	535.00	284.6501	169.9761	227.9020
Bermuda (Bermudian $)	1.8795	1	0.5971	0.8006
Bhutan (Ngultrum)	24.70	13.1417	7.8474	10.5218
Bolivia (Boliviano)	4.2944	2.2848	1.3643	1.8293
Botswana (Pula)	3.2375	1.7225	1.0285	1.3791
Brazil (Cruzado)	255.15	135.7541	81.0643	108.6900
British Virgin Is (US $)	1.8795	1	0.5971	0.8006
Brunei (Brunei $)	3.7720	2.0069	1.1984	1.6068
Bulgaria (Lev)	1.5280	0.8129	0.4854	0.6509
Burkino Faso (CFA Fr)	535.00	284.6501	169.9761	227.9020
Burma (Kyat)	11.0236	5.8651	3.5023	4.6958
Burundi (Burundi Fr)	247.50	131.6839	78.6338	105.4313
Cameroon (CFA Fr)	535.00	284.6501	169.9761	227.9020
Canada (Canadian $)	2.3100	1.2290	0.7339	0.9840
Canary Is (Sp Peseta)	207.80	110.5613	66.0206	88.5197
Cp. Verde Is (CV Escudo)	138.29	73.5780	43.9364	58.9094
Cayman Is (CI $)	1.5633	0.8317	0.4966	0.6659
Cent.Afr. Rep (CFA Fr)	535.00	284.6501	169.9761	227.9020
Chad (CFA Fr)	535.00	284.6501	169.9761	227.9020
Chile (Chilean Peso)	463.72	246.7251	147.3296	197.5378
China (Renminbi Yuan)	6.9659	3.7062	2.2131	2.9673
Colombia (Col Peso)	540.43	287.5392	171.7013	230.2151
Comoro Is (CFA Fr)	535.00	284.6501	169.9761	227.9020
Congo (Brazz) (CFA Fr)	535.00	284.6501	169.9761	227.9020
Costa Rica (Colon)	139.85	74.4080	44.4320	59.5740
Cuba (Cuban Peso)	1.4345	0.7632	0.4557	0.6110
Cyprus (Cyprus £)	0.8350	0.4442	0.2652	0.3556
Czechoslovakia (Koruna)	9.45c	5.0279	3.0023	4.0255
	16.45l	8.7523	5.2263	7.0074
	15.84t	8.4277	5.0325	6.7476
Denmark (Danish Kroner)	12.1275	6.4525	3.8530	5.1661
Djibouti Rep (Djib Fr)	332.79	177.0630	105.7315	141.7635
Dominica (E Carrib $)	5.09	2.7081	1.6171	2.1682
Dominican Rep (D Peso)	9.3516	4.9755	2.9711	3.9836
Ecuador (Sucre)	469.65o	249.8802	149.2136	200.0638
	809.43	430.6624	257.1660	344.8051
Egypt (Egyptian £)	4.2700	2.2718	1.3566	1.8189
El Salvador (Colon)	9.4120	5.0077	2.9903	4.0093
Equat'l Guinea (CFA Fr)	535.00	284.6501	169.9761	227.9020
Ethiopia (Ethiopian Birr)	3.8686	2.0583	1.2291	1.6479
Falkland Is (Falk £)	1.00	0.5320	0.3177	0.4259
Faroe Is (Danish Kroner)	12.1275	6.4525	3.8530	5.1661
Fiji Is (Fiji $)	2.6636	1.4171	0.8462	1.1346
Finland (Markka)	7.5120	3.9968	2.3866	3.2000
France (Fr)	10.70	5.6930	3.3995	4.5580
Fr. Cty/Africa (CFA Fr)	535.00	284.6501	169.9761	227.9020
Fr. Guiana (Local Fr)	10.70	5.6930	3.3995	4.5580
Fr. Pacific Is (CFP Fr)	190.00	101.0907	60.3653	80.9371
Gabon (CFA Fr)	535.00	284.6501	169.9761	227.9020
Gambia (Dalasi)	12.1862	6.4837	3.8717	5.1911
Germany East (Ostmark)	3.1475	1.6746	1	1.3407
Germany West (DMark)	3.1475	1.6746	1	1.3407
Ghana (Cedi)	348.66	185.5067	110.7736	148.5239
Gibraltar (Gib £)	1.00	0.5320	0.3177	0.4259
Greece (Drachma)	250.98	133.5355	79.7394	106.9137
Greenland (Danish Krone)	12.1275	6.4525	3.8530	5.1661
Grenada (E Carr $)	5.09	2.7081	1.6171	2.1682
Guadaloupe (Local Fr)	10.70	5.6930	3.3995	4.5580
Guam (US $)	1.8795	1	0.5971	0.8006
Guatemala (Quetzal)	1.8795	1	0.5971	0.8006
	4.7859a	2.5463	1.5205	2.0387
Guinea (Fr)	565.05	300.6384	179.5234	240.7028
Guinea-Bissau (Peso)	1224.27	651.3806	388.9658	521.5207
Guyana (Guyanese $)	16.9300	9.0077	5.3788	7.2119
Haiti (Goude)	9.4175	5.0106	2.9920	4.0117
Honduras (Lempira)	3.7648	2.0030	1.1961	1.6037
Hong Kong (HK $)	14.7128	7.8280	4.6744	6.2674
Hungary (Forint)	89.4686	47.6023	28.4252	38.1122
Iceland (Icelandic Krona)	72.63	38.6432	23.0754	30.9392
India (Indian Rupee)	24.70	13.1417	7.8474	10.5218
Indonesia (Rupiah)	3133.19	1667.0337	995.4535	1334.6922
Iran (Rial)	125.15	66.5868	39.7617	53.3120
Iraq (Iraqi Dinar)	0.5828	0.3100	0.1851	0.2482
Irish Rep (Punt)	1.1795	0.6275	0.3747	0.5024
Israel (Shekel)	2.9340	1.5610	0.9321	1.2498
Italy (Lira)	2341.00	1245.5440	743.7648	997.2310
Ivory Coast (CFA Fr)	535.00	284.6501	169.9761	227.9020
Jamaica (Jamaican $)	10.1525	5.4017	3.2255	4.3248
Japan (Yen)	234.75	124.9002	74.5830	100
Jordan (Jordanian Dinar)	0.6325	0.3365	0.2009	0.2694
Kampuchea (Riel)	187.95	100	59.7140	80.0638
Kenya (Kenya Shilling)	31.75	16.8927	10.0873	13.5250
Kiribati (Australian $)	2.4820	1.3205	0.7885	1.0572
Korea North (Won)	1.7705	0.9420	0.5625	0.7542
Korea South (Won)	1385.47	737.1481	440.1810	590.1895
Kuwait (Kuwaiti Dinar)	0.51480	0.2739	0.1635	0.2192
Laos (New Kip)	659.23	350.7475	209.4455	280.8221
Lebanon (Lebanese £)	685.50	364.7246	217.7918	292.0127
Lesotho (Maloti)	4.0435	2.1513	1.2846	1.7224
Liberia (Liberian $)	1.8795	1	0.5971	0.8006
Libya (Libyan Dinar)	0.5223	0.2778	0.1659	0.2224
Liechtenstein (Swiss Fr)	2.62	1.3939	0.8324	1.1160
Luxembourg (Lux Fr)	65.85	35.0359	20.9213	28.0511
Macao (Pataca)	15.1668	8.0690	4.8183	6.4604
Madeira (Port Escudo)	256.25	136.3394	81.4138	109.1586
Malagasy Rep (MG Fr)	2104.75	1119.8457	668.7053	896.5921
Malawi (Kwacha)	4.5925	2.4434	1.4590	1.9563
Malaysia (Ringgit)	4.8438	2.5771	1.5389	2.0633
Maldive Is (Rufiya)	19.0234	10.1215	6.0439	8.1036
Mali Rep (CFA Fr)	535.00	284.6501	169.9761	227.9020
Malta (Maltese £)	0.6000	0.3192	0.1906	0.2555
Martinique (Local Fr)	10.70	5.6930	3.3995	4.5580
Mauritania (Ouguiya)	139.0400	73.9771	44.1747	59.2289
Mauritius (Maur Rupee)	23.95	12.7427	7.6092	10.2023
Mexico (Mexican Peso)	4289.80a	2282.4155	1362.9229	1827.3908
	4332.05d	2304.8949	1376.3463	1845.3887
Miquelon (Local Fr)	10.70	5.6930	3.3995	4.5580
Monaco (French Fr)	10.70	5.6930	3.3995	4.5580
Mongolia (Tugrik)	6.3201	3.3626	2.0079	2.6922
Montserrat (E Carr $)	5.09	2.7081	1.6171	2.1682
Morocco (Dirham)	14.80	7.8744	4.7021	6.3045
Mozambique (Metical)	856.0508	455.4673	271.9780	364.6648
Namibia (S A Rand)	4.0435	2.1513	1.2846	1.7224
Nauru Is (Australian $)	2.4820	1.3205	0.7885	1.0572
Nepal (Nepalese Rupee)	40.4953	21.5457	12.8658	17.2503
Netherlands (Guilder)	3.53	1.8781	1.1215	1.5037
N'nd Antilles (A/Guilder)	3.3715	1.7938	1.0711	1.4362
New Zealand (NZ $)	2.8090	1.4945	0.8924	1.1965
Nicaragua (Cordoba)	18.8240	10.0154	5.9806	8.0187
Niger Rep (CFA Fr)	535.00	284.6501	169.9761	227.9020
Nigeria (Naira)	8.6595	4.6073	2.7512	3.6888
Norway (Nor. Krone)	11.5925	6.1678	3.6830	4.9382
Oman (Rial Omani)	0.7215	0.3838	0.2292	0.3073
Pakistan (Pak. Rupee)	32.90	17.5046	10.4527	14.0149
Panama (Balboa)	1.8795	1	0.5971	0.8006
Papua New Guinea (Kina)	1.6430	0.8741	0.5220	0.6998
Paraguay (Guarani)	602.36o	320.4894	191.3772	256.5963
	1682.86a	895.3764	534.6656	716.8732
Peru (Intl)	62.19d	33.0885	19.7585	26.4920
	79.06e	42.0643	25.1183	33.6783
	84.70l	45.0651	26.9102	36.0809
	141.18a	75.1157	44.8546	60.1405
Philippines (Peso)	38.50	20.4841	12.2319	16.4004
Pitcairn Is (£ Sterling)	1.00	0.5320	0.3177	0.4259
(NZ $)	2.8090	1.4945	0.8924	1.1965
Poland (Zloty)	750.87	399.5051	238.5607	319.8594
Portugal (Escudo)	256.25	136.3394	81.4138	109.1586
Puerto Rico (US $)	1.8795	1	0.5971	0.8006
Qatar (Riyal)	6.8215	3.6294	2.1672	2.9058
Reunion Is. de la (F/Fr)	10.70	5.6930	3.3995	4.5580
Romania (Leu)	14.78l	7.8637	4.6957	6.2960
Rwanda (Fr)	140.20	74.5943	44.5432	59.7231
St Christopher (E Carr $)	5.09	2.7081	1.6171	2.1682
St Helena (£)	1.00	0.5320	0.3177	0.4259
St Lucia (E Carr $)	5.09	2.7081	1.6171	2.1682
St Pierre (French Fr)	10.70	5.6930	3.3995	4.5580
St Vincent (E Carr $)	5.09	2.7081	1.6171	2.1682
San Marino (Italian Lira)	2341.00	1245.5440	743.7648	997.2310
Sao Tome (Dobra)	136.03	72.3756	43.2184	57.9467
Saudi Arabia (Riyal)	7.0605	3.7565	2.2432	3.0076
Senegal (CFA Fr)	535.00	284.6501	169.9761	227.9020
Seychelles (Rupee)	9.60	5.1077	3.0500	4.0894
Sierra Leone (Leone)	51.80	27.5605	16.4575	22.0660
Singapore ($)	3.7720	2.0069	1.1984	1.6068
Solomon Is ($)	3.8264	2.0358	1.2156	1.6299
Somali Rep (Shilling)	188.35	100.2128	59.8411	80.2342
South Africa (Rand)	4.0435c	2.1513	1.2846	1.7224
	5.4555g	2.9026	1.7332	2.3239
Spain (Peseta)	207.80	110.5613	66.0206	88.5197
Spanish Ports in N Africa (Sp Peseta)	207.80	110.5613	66.0206	88.5197
Sri Lanka (Rupee)	58.00	30.8592	18.4273	24.7071
Sudan Rep (£)	8.4758	4.5096	2.6928	3.6105
Surinam (Guilder)	3.3620	1.7887	1.0681	1.4321
Swaziland (Lilangeni)	4.0435	2.1513	1.2846	1.7224
Sweden (Krona)	11.0375	5.8725	3.5067	4.7018
Switzerland (Fr)	2.62	1.3939	0.8324	1.1160
Syria (£)	50.8545	27.0574	16.1571	21.6632
Taiwan ($)	53.70	28.5714	17.0611	22.8753
Tanzania (Shilling)	177.15	94.2537	56.2827	75.4632
Thailand (Baht)	47.00	25.0066	14.9324	20.0212
Togo Rep (CFA Fr)	535.00	284.6501	169.9761	227.9020
Tonga Is (Pa Anga)	2.4820	1.3205	0.7885	1.0572
Trinidad/Tobago ($)	6.7806	3.6076	2.1542	2.8884
Tunisia (Dinar)	1.5408	0.8197	0.4895	0.6563
Turkey (Lira)	2373.12	1262.6336	753.9698	1010.9137
Turks & Caicos (US $)	1.8795	1	0.5971	0.8006
Tuvalu (Australian $)	2.4820	1.3205	0.7885	1.0572
Uganda (New Shilling)	113.18	60.2181	35.9586	48.2129
U A E (Dirham)	6.9145	3.6789	2.1968	2.9454
United Kingdom (£)	1.00	0.5320	0.3177	0.4259
United States (US $)	1.8795	1	0.5971	0.8006
Uruguay (Peso)	614.60	327.0018	195.2660	261.8104
USSR (Rouble)	1.1149	0.5931	0.3542	0.4749
Vanuatu (Vatu)	188.50	100.2926	59.8888	80.2981
Vatican (Lira)	2341.00	1245.5440	743.7648	997.2310
Venezuela (Bolivar)	27.31e	14.5304	8.6767	11.6336
	14.13p	7.5179	4.4892	6.0191
	54.87l	29.1939	17.4328	23.3738
Vietnam (Dong)	693.13	368.7842	220.2160	295.2630
Virgin Is-British (US $)	1.8795	1	0.5971	0.8006
Virgin Is-US (US $)	1.8795	1	0.5971	0.8006
Western Samoa (Tala)	3.7800	2.0111	1.2009	1.6102
Yemen (Rial)	19.20	10.2154	6.1000	8.1789
Yemen PDR (Dinar)	0.6460	0.3437	0.2052	0.2751
Yugoslavia (Dinar)	2750.00	1463.1550	873.7092	1171.4589
Zaire Rep (Zaire)	313.6817	166.8963	99.6605	133.6237
Zambia (Kwacha)	14.60	7.7680	4.6386	6.2193
Zimbabwe ($)	3.25	1.7291	1.0325	1.3844

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (1) Nicaragua, 15 February 1988 New Currency Introduced 1 New Cordoba 1000 Old Cordoba (2) Iceland, 1 March 1988 Krona Devalued by Approx 6% (3) Poland, 1 February 1988 Zloty Devalued By Approximately 15.9% (4) Vanuatu, 5 February 1988 Vatu Freed From SDR. Vatu Now Linked To Currency Basket

Some data supplied by Bank of America

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14	AAR s	.36	1.5	20	79	24 3/4	24 5/8	24 5/8	-5/8
27	10 1/2	AGS s			14	515	18 1/8	17 1/4	18 1/8	+5/8
7 7/8	3 1/4	AMCA				64	3 3/8	3 1/4	3 1/4	-1/8
8 5/8	3 1/4	AM Intl				390	4	3 3/4	3 3/4	-1/4
65 1/2	26 3/4	AMR			11	3288	44 5/8	43 1/2	44 1/4	+1 1/2
23 1/2	19	ANR pf	2.12	9.1		35	23 3/8	23 3/8	23 3/8	+1/8
12 1/4	6 3/8	ARX			10	112	8 3/4	8 1/2	8 3/4	
72 7/8	40 1/8	ASA	3	6.8		642	44 5/8	44	44	-5/8
22 3/8	9 1/2	AVX			13	1508	18 1/8	17 7/8	18 1/8	+1/8
66 3/8	40	AbtLab	1.20	2.6	16	3186	46 1/4	45 3/4	46 1/4	+5/8
28	16 3/8	Abitibi g	1			30	17 3/4	17 5/8	17 3/4	
16 3/4	8 1/2	AcmeC	.40	3.3		60	12 1/8	12	12	-1/4
10 1/2	6 5/8	AcmeE	.32b	4.5	19	9	7 1/8	7 1/8	7 1/8	
20	14 1/8	AdaEx	3.05e	19.		158	15 7/8	15 1/2	15 3/4	+1/4
19 1/4	6 7/8	AdamMl	.24	1.3	15	205	18 1/2	18 1/2	18 1/2	-1/8
24 7/8	7 1/2	AMD				2489	14 1/2	14 1/4	14 3/8	
56 3/4	29 1/4	AMD pf	3	7.5		134	40 1/4	40	40	-1/4
11 7/8	4 5/8	Adobe			12	56	7 7/8	7 5/8	7 5/8	-1/4
20 1/4	16 1/4	Adob pf	1.84	10.		21	18 1/4	18 1/4	18 1/4	
21 3/4	17 1/2	Adob pf	2.40	11.		3	21	21	21	-1/4
14 3/8	6 1/8	Advest	.12j	1.7	7	66	7 1/8	7	7	-1/8
64 1/4	41 3/4	AetnLf	2.76	6.6	6	4158	41 3/4	d41	41 3/8	-3/8
83 1/2	41	AflPub	.40	.7	32	469	56 1/2	55 1/2	55 1/2	-1
23 3/4	13	Ahmans	.88	6.2	10	1555	14 3/8	14	14 1/4	
4 7/8	1 3/8	Aileen				208	3 3/4	3 1/2	3 1/2	-1/8
53 7/8	29	AirPrd	1	2.1	14	1806	48 7/8	48 1/4	48 5/8	+1/4
36	11 1/8	AirbFrt	.60	3.5	23	z209	17 1/4	17	17 1/4	+1/8
16 1/2	6 3/4	Airgas			16	55	12 1/4	12 1/4	12 1/4	-1/4
19 3/4	13 1/2	Airlease	2.30	12.	10	19	18 1/2	18 3/8	18 1/2	-1/4
27 3/4	25 1/2	AlaP pf	2.04e	7.8		358	26 1/8	26	26 1/8	+1/8
10 1/4	7 3/8	AlaP dpf	.87	9.6		69	9 1/4	9 1/8	9 1/8	
99 1/2	81 1/2	AlaP pf	9	9.9		z20	91	91	91	-1/2
90 1/2	77	AlaP pf	8.28	9.9		z30	83 1/4	83 1/4	83 1/4	+1/4
24	12 1/4	AlskAir	.16	.8	17	363	19 1/8	18 3/4	19	+3/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Continued from Page 34

35¾	19⅛	XTRA	.64	2.0	16	7	32⅞	32⅝	22⅝	
29¾	19½	XTRA pf1.94		6.9		75	28¼	28¼	28¼	−⅛
45½	17½	Yorkin			14	241	u45¾	45¼	45¼	
7¼	2¼	Zapata				272	3¼	3⅛	3¼	
37	13½	Zayre	.40	1.7	11	5894	23¾	23	23¼	+½
33⅝	10	ZenithE				5840	22⅝	21¾	22⅞	+⅝
10¾	10	Zenin n				178	10⅛	10	10	−⅛
11½	1¾	ZenLab				4445	2⅛	1¾	1⅞	−¼
24	13½	ZenNtl	.80	3.8	10	481	21	20¾	21	+⅛
20⅝	11⅜	Zero	.36	2.5	14	40	14¼	14	14⅛	
30¾	15	Zurmin s .68		3.3	14	77	20⅝	20½	20⅝	
10⅝	7⅝	Zweig 1.34e		13.		525	10¼	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 32

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Strong US economic figures are a two edged sword for dollar

THE DOLLAR gained ground and sterling weakened in thin foreign exchange trading yesterday. Market volume was predictably thin, with London and Luxembourg closed for public holidays and Japan about to start three days of national holidays.

US economic data were unexpectedly strong, but this was a two edged sword, with the Treasury bond market reacting badly to the news, and reversing part of the dollar's earlier gains.

Potential investors in the bond market tended to stay on the sidelines however, waiting for tomorrow's announcement of the US Treasury's quarterly refunding programme, to be held next week.

If yesterday's news is a reliable guide, the US economy appears to be surprisingly robust, which may increase nervousness about the size of the US trade deficit in March, to be published in two weeks time. It also created some concern about possible upward pressure on inflation, hence yesterday's fall in bond prices.

Speaking in West Germany, Mr Clayton Yeutter, US Trade Representative, said "At the moment we think our trade deficit is improving slightly, but very slowly."

He declined to say whether he believed the dollar would continue to weaken, but said that if the trade deficit improves pressure on the dollar will ease.

Figures announced yesterday showed that US non-farm productivity rose 0.9 p.c. in the first quarter, compared with a revised fall of 1 p.c. in the fourth quarter.

March US factory orders were up 1.6 p.c., against an unchanged figure in February. According to a survey by Money Market Services, March orders were expected to rise only 0.3 p.c.

US construction spending in March rose 1.5 p.c., compared with a revised rise of 0.4 p.c. in February, and against a median forecast of 0.5 p.c. on a survey by MMS.

Trading in Europe closed with the dollar generally firmer, but near the day's lows.

It rose to DM1.6795 from DM1.6745; to Y125.10 from Y124.90; to SFr1.3995 from SFr1.3935; and to FFr5.7075 from FFr5.6925.

Sterling lost ground. There was a report of a large European order to sell the pound, and dealers in the US also noted selling of sterling in the Chicago currency futures market.

Disappointment at the failure of Opec and other oil producers to agree on cut backs in production weighed on the British currency. Opec and non-Opec representatives had been meeting in Vienna.

North Sea oil, which was trading at over $16.50 a barrel on Friday, fell back to under $16 yesterday. Prices tended to steady in the afternoon, after falling sharply during the morning on news that the talks ended without agreement.

On Friday the Bank of England intervened to stem the pound's advance against the D-Mark, at around DM3.15, after surprisingly good UK trade figures in March.

It is unlikely the UK authorities required any help from foreign central banks to keep sterling in check yesterday however.

At the close of trading in Europe, the pound had fallen to DM3.1400, from DM3.1475 on Friday. It had also lost 1.20 cents to $1.8675.

Against other major currencies sterling fell to Y233.75 from Y234.75; to SFr2.6150 from SFr2.62; and FFr10.6650 from FFr10.70.

£ IN NEW YORK

Apr.29	Close	Previous Close
£ Spot	1.8755-1.8765	1.8725-1.8745
1 month	0.17-0.16pm	0.16-0.14pm
3 months	0.51-0.49pm	0.52-0.36pm
12 months	1.98-1.90pm	2.19-1.40pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4218	+2.27	+0.94	±1.5344
Danish Krone	7.85212	7.99018	+1.76	+0.43	±1.5404
German D-Mark	2.05853	2.07546	+0.82	-0.51	±1.0981
French Franc	6.90403	7.05425	+2.18	+0.85	±1.3674
Dutch Guilder	2.31943	2.32751	+0.35	-0.98	±1.5012

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
114	643	—	1	—
116	445	—	3	—
118	252	—	10	—
120	118	—	40	—
122	26	—	148	—
124	6	—	328	—
126	1	—	523	—

Estimated volume total, Calls 5717 Puts 5745
Previous day's open int. Calls 46742 Puts 35324

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
80	763	—	1	—
82	603	558	5	60
84	408	428	10	130
86	227	309	29	211
88	102	205	104	307
90	21	120	223	422
92	7	52	409	554

Estimated volume total, Calls 102 Puts 90
Previous day's open int. Calls 3277 Puts 1275

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
16500	1421	1512	21	112
17000	973	1120	73	220
17500	596	789	196	389
18000	318	526	418	626
18500	146	331	746	931
19000	57	197	1157	1297
19500	19	110	1619	1710

Estimated volume total, Calls 10 Puts 15
Previous day's open int. Calls 40 Puts 73

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
170	1790	1790	0	0
175	1290	1290	0	1
180	790	790	0	13
185	306	363	23	94
190	37	108	254	339
195	1	18	718	749
200	0	2	1217	1233

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 509 Puts 191

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	91	71	0	17
9175	67	54	1	25
9200	45	38	4	34
9225	26	25	10	46
9250	12	16	21	62
9275	5	10	39	81
9300	2	5	61	101

Estimated volume total, Calls 120 Puts 11
Previous day's open int. Calls 3398 Puts 2719

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9050	87	63	2	18
9075	64	46	4	26
9100	43	32	8	37
9125	26	21	16	51
9150	14	13	29	68
9175	7	7	47	87
9200	2	4	67	109

Estimated volume total, Calls 1631 Puts 755
Previous day's open int. Calls 10363 Puts 4923

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.7194	0.7254	0.7190	0.7268
Sep	0.7292	0.7352	0.7286	0.7367
Dec	0.7394	-	0.7395	0.7469
Mar	0.7500	-	0.7510	0.7576

STANDARD & POORS 500 INDEX
$500 times index

	Close	High
Jun	261.00	263.60
Sep	262.85	265.40
Dec	264.50	267.30
Mar	266.75	269.10

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8795	1.8779	1.8745	1.8699	1.8595
D-mark	3.1475	3.1352	3.1100	3.0725	2.9968
French Fr.	10.700	10.699	10.699	10.699	10.697
Swiss Fr.	2.6200	2.6068	2.5809	2.5432	2.4671
Yen	234.75	233.89	232.14	229.71	224.43

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8795	1.8779	1.8745	1.8699	1.8595

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.8720	1.8860	1.8715	1.8710
Sep	1.8666	1.8790	1.8680	1.8650
Dec	1.8606	1.8710	-	1.8590

MONEY MARKETS

Frankfurt ponders higher rates

THERE WAS a hint of nervousness in Frankfurt yesterday that West German interest rates could be about to edge higher.

The Bundesbank is likely to announce a securities repurchase agreement tender today, to add liquidity to the domestic money market.

Yesterday's main question centred on whether the central bank would set another fixed rate tender of 3.25 p.c., or allow banks to bid for funds on a variable rate?

Tenders have been held at a fixed 3.25 p.c. since a cut from 3.50 p.c in November. A variable rate is likely to result in a tightening of monetary conditions.

Factors in favour of higher interest rates are: strong growth in M3 money supply, rising West German bond yields, and relative stability in the currency market.

Against this background call money in Frankfurt rose to 3.30 p.c. yesterday, from 3.25 p.c. on Friday, with some offers as high as 3.40 p.c.

On the other hand many dealers believe the authorities are unlikely to nudge up interest rates in the present circumstances.

Higher rates will make Frankfurt a more attractive target for foreign capital, at a time when Mr Helmut Schlesinger, Bundesbank vice president, has said that capital outflows in the first quarter helped to dampen domestic money growth.

A rise in interest rates is also likely to boost the D-Mark on the foreign exchanges. Such a move might be welcomed in London, but may not be greeted favourably in Paris, ahead of next weekend's presidential election, or in Washington, because of the threat to dollar stability.

UK clearing bank base lending rate
8 per cent
from April 11

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.29) 3 months US dollars		6 months US Dollars	
bid 7 1/2	offer 7 5/8	bid 7 5/8	offer 7 3/4

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

Prime rate	8.50
Broker loan rate	7 3/4-8
Fed. funds	6 11/16-11/16
Fed. funds at intervention	7.00

Treasury Bills and Bonds

One month	5.19	Three year	7.94
Two month	5.66	Four year	8.20
Three month	6.17	Five year	8.35
Six month	6.66	Seven year	8.66
One year	7.11	10-year	8.88
Two year	7.75	30-year	9.11

Apr.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.20-3.30	3.25-3.35	3.30-3.40	3.35-3.50	3.40-3.55	4.50
Paris	7 3/8-7 1/2	7 1/4-7 3/4	7 3/4-8	8-8 1/4	8 1/4-8 1/4	7.25
Zurich	1 1/4-1 1/2	1 3/4-2	-	2-2 1/4	-	-

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 15,645

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

WORLD COMMODITIES PRICES

US MARKETS

The precious metals tended to follow the fortunes of the energy complex as trade and local selling touched-off commission house stops to drive prices lower, reports Drexel Burnham Lambert. Silver and platinum tended to react more than gold, reflecting also their more technically weak condition. Copper was quiet, in the absence of direction from London. The energy complex saw heavy trade, commission house and fund selling, in part long-liquidation, but new short selling was noted, as the markets reacted to signs that the O.P.E.C. Meeting would fall far short of what was initially agreed last week. Coffee rallied on short-covering, cocoa fell on general profittaking while sugar fell sharply as massive commission house and fund selling overcame trade and end-user type buying. Cattle futures were strong reflecting good movement recently out of feed yards and good buying by packers. The movement tended to close the gap between the futures and the cash market.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	445.6	451.0	0	0
Jun	447.2	452.6	449.5	446.0
Jul	449.4	454.8	0	0
Aug	451.5	457.0	454.0	450.7
Oct	456.2	461.7	466.0	456.0

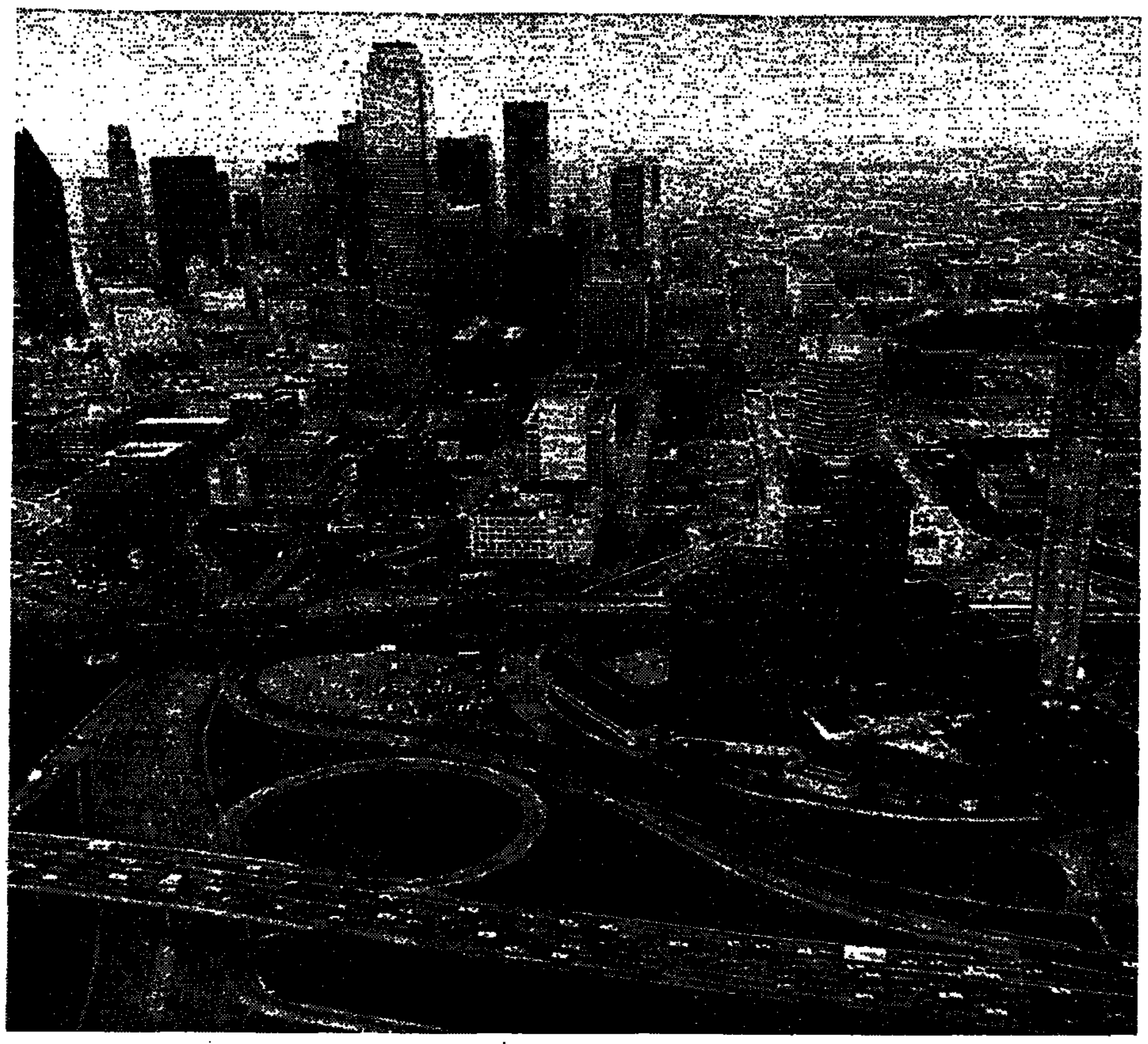
Chicago

SECTION III

FINANCIAL TIMES SURVEY

Stung by an energy burst, then stunned by a real estate collapse, the city has had to learn the ropes of economic development and promotion. But, as in the early days of the city's development, Dallasites are applying themselves with zeal, writes Roderick Oram

A heavy dose of realism



DALLAS

WITH THE feisty opening line "Your family's gonna throw me off this ranch!" Dallas – the television series – burst into life 10 years ago last month. Quicker than its producers could shout "gusher!", the exploits of the Ewing oil family seized the imagination of audiences around the world.

Believing they have been stereotyped, though, the cast of Dallas – the city – hate to be closely identified with the soap opera. The only oil well in town, they protest, is the brass-plated mock-up in front of the Hard Rock Cafe. And, thank the good Lord, there's more than a few nice genteel folk around.

Yet, art has imitated life, or vice versa, over the past decade. At their most ebullient, city and series blazed across economic charts and television ratings. Both told rollicking stories of remarkable feats, glitzy lives and lavish rewards born of unshakable self-confidence.

In recent years, though, both have traced a sorrier picture. The series has sunk deep down the ratings as audiences, growing bored, tuned instead to sit coms.

The city, stung by an energy bust then stunned by a real estate collapse, has suffered one of its first major recessions ever. Enticed by opportunities elsewhere, the world is not as besotted by Dallas as it once was. All the old attributes of climate, location, workforce and enterprise are unchanged but Dallasites know now they must learn how to sell themselves.

"We thought the world revolved around us. Now we're realising we're part of the world," says Mr Harden Wiedemann, president of the North Texas Commission, a business-government organisation set up to stimulate development. "It's part of a maturation process, economically and politically. We're taking a heavy dose of realism."

It is within Dallas' grasp to attain greater economic strength through more diversity and to achieve a more effective and representative political system. Several influential leaders – individuals and institutions – hope also to make Dallas a truly international business centre.

The city can realise these ambitions but it will take a concerted effort to assess and meet needs in areas such as physical infrastructure and education. More co-operation between cities in the Dallas/Fort Worth "metroplex" than they have shown in the past would also help. Above all, Dallasites will have to learn the ropes of economic development and promotion. They are off to a fast start with the same sort of zeal with which their forbears had established the city in an unlikely place in the 1840s.

"Dallas was the city born with a wooden spoon in its mouth," wrote Neal Peirce and Jerry Hagstrom a few years ago in "The Book of America". Given its remote location, poor farmland and lack of a navigable river, its early life looked unpromising. But first cotton and then railroads, which were bribed or forced by politicians to divert to it, began to reward the enterprise of Dallasites.

With the discovery of the East Texas oilfield in the early 1930s, Dallas became banker to the energy industry, which in turn created capital for other enterprises. It is not an oil town in the strictest sense – the nearest working well is 90 miles away – but Dallas has made itself the centre of a universe dominated by oil and the business hub of the southwestern United States. The Dallas/Fort Worth metropolitan area has the country's third largest concentration of corporate headquarters after New York and Chicago.

"By dollar-and-cents measures, Dallas's wooden spoon has turned to gold," Peirce and Hagstrom wrote. Today, the city has 1m people and Dallas County 1.8m. The Dallas-Fort Worth metroplex, sprawling over some 55 miles east-west and more than 20 miles north-south, is home to 3.7m, making it the ninth largest metropolitan area in the country. Its population will top 4.5m by 2000. Dallas accounts for 22 per cent of Texas's economic activity and Fort Worth 14 per cent. Together they out-muscle Houston's 26 per cent which is far more closely tied to energy.

Over the years, people have poured into Dallas from all over the country, believing it a perpetual boom town. The euphoria peaked at the beginning of this decade when nobody argued with the notion that oil prices would keep rising in a steep straight line. But no sooner had they brushed $40 a barrel, they began crumbling through the early 1980s.

Dallas' diversity left it on the whole relatively unscathed by the downturn although its banks staggered under a huge burden of bad energy loans. Local confidence in unending growth was barely scratched as thrusting Dallasites turned to real estate, the next sizzling hot sector.

An unprecedented combination of factors ranging from favourable tax treatment of real estate to deregulation of savings and loans institutions unleashed a flood of money over the property sector. Across the city, feverish speculation created incidents and characters worthy of the television series.

As the fall of oil prices accelerated in mid-decade, even Dallasites far removed from energy began to pull in their horns. By the time oil bounced off a bottom of about $9 a barrel in early 1986, Dallas had joined the Texas economy in deep recession, showing a negative annual growth rate of 3.5 per cent.

In fact, the sickness of the local economy was confined to a few sectors: energy, construction, real estate and, in turn, finance. Others such as wholesale and retail trade continued to perform adequately, while bright sectors such as electronics and aerospace were largely overlooked in the prevailing gloom.

Dallasites themselves failed to recognise the strength-through-diversity of their economy, says Dr Sydney Hicks, director of economics at First RepublicBank, the city's largest and, thanks to the real estate collapse, most deeply troubled bank. She says that lack of understanding made them excessively cautious during the downturn which in turn exacerbated it.

Through much of this decade Dallas' employment profile has been wholesale/retail trade 27 per cent; services 21 per cent; manufacturing 17 per cent; government 11 per cent; finance, insurance and real estate 10 per cent; transport 7 per cent; and construction 4 per cent. Energy accounts for only a few percentage points directly but has an indirect impact on many other areas.

Netting out the bad sectors shows that the rest of the local economy enjoyed some sluggish growth through the recession. "It's very important to separate the real economy from real estate," says a local economist. Continuing migration to Dallas – some 100,000 people arrived during the two-year recession – had as much impact on the unemployment rate as outright job losses. The rate peaked at 6.8 per cent by mid-1987, roughly double the town's traditional level.

The turn round began in the middle of last year, led by a moderate pickup in manufacturing, particularly in high technology. The unemployment rate could drop to around 6 per cent by the end of this year. Dr Ray Perryman, who runs Baylor University's forecasting service, estimates the local economy could grow by about 2.2 per cent in real terms this year and next.

Dallas, however, is not setting off on another easy ride. "The greatest threat to recovery," Dr Perryman warns, "is how to finance it." Many local businessmen complain that banks and savings and loans, severely crippled by the real estate collapse, are long on caution and short on capital. The most hopeful sign is the hunger for business shown by out-of-state banks and rehabilitated local ones. "I believe we'll be OK," Dr Perryman concludes.

A national recession is a threat of far greater magnitude. The real estate and financial sectors are building their fragile hopes for recovery on a foundation of economic ifs, and buts. Many analysts believe those two deeply troubled businesses have yet to touch bottom. They have no room for manoeuvre if the national economy turns down within the next couple of years.

Still, one banker's or developer's demise is another investor's golden opportunity. Dallasites, almost as optimistic and given to hyperbole as ever, say their town is offering now some of the world's greatest-ever real estate bargains.

But what is the psychological impact on Dallasites of selling themselves as the cheapest around after generations of believing they were the biggest and the best? "The typical guy on the street isn't as cocky as he was," one observer of the local scene says.

Some values have changed subtly, says Vivian Castleberry, a long-time local journalist turned international peace activist. "People are now understanding about the quality of life, not just the quantity of life."

In the past Dallas unabashedly showed off only its glitter. Now it is learning to sell its considerable substance. But Dallasites are finding it hard to give up some things. A new series of television commercials to introduce the world to Dallas' diversity shows various musicians from classical to jazz playing at impressive locations around Dallas – the city. But they are all playing the same music: the theme tune from Dallas – the television show.

CONTENTS

Pictured left: sparkling towers and circling freeways – a cityscape born of unshakable self-confidence

A lot of property is in lenders' hands, says **Roderick Oram**

Real estate upturn awaited

"IT WAS like the mutual alignment of the planets," says an economist trying to describe the unprecedented combination of factors which fed a feverish real estate boom around Dallas and across Texas in the mid-1980s.

Vast sums poured into property when rising oil prices, highly favourable tax treatment for real estate investments, easing of lending restrictions and strong demand for commercial and residential property, created the illusion that the Texas economy was immune to recession.

The subsequent bust must seem similarly cosmic for many Texan investors, financial institutions and companies cruelly exposed to collapsing real estate prices after the speculative bubble burst two years ago.

Virtually all the largest and hundreds of smaller financial institutions will survive only with a federal government bail-out which could run to tens of billions of dollars. Even many of the largest and most conservative property developers have been brought to their knees by the massive burden of empty buildings.

Ever optimistic, though, many Texans involved in real estate say they have seen in recent months the first faint signs of a market bottom in some cities such as Dallas. Prospective investors and tenants have been turning up in growing numbers to try to drive hard bargains with the large ranks of owners or lenders under financial pressure to sell.

Tellingly, though, some players say there is still an unnaturally large gap between the bid and offer prices on buildings, reflecting quite different expectations of buyers and sellers on the values of the properties.

But others, who significantly tend to be observers rather than participants in the scramble to bring life to the semi-comatose real estate market, believe some further erosion of property values is possible.

"It's questionable whether values have reached bottom," said Mr Ronald Witten, president of M/PF Research, a Dallas real estate consultant. "The biggest unknown is what happens to the property held by lending institutions."

He and others argue that the market is giving a false reading of values because so many foreclosed properties are in the hands of banks and savings and loans. These institutions are unwilling or financially unable to sell them until the terms of the federal financial support are finalised. Ideally, they would like to hang on to as much property as possible to benefit from the ultimate recovery of the market.

A truer picture may not emerge until late this year or even the first half of next, a delay caused in large part by time federal and state regulators are taking to decide how best to handle the unprecedented volume of property in lenders' hands.

In Dallas County alone, foreclosures are running at an annual rate of roughly 1,000 against 800 last year and zero in 1982. The value of foreclosures in the two years to last December topped $5bn.

Values vary enormously by property category, location and use but some prime office space in downtown Dallas has been sold recently for well under $75 a square foot – less than the cost of construction – compared with around $150 at the top of the market in 1984.

Land, which was subjected to the greatest speculation, will give lenders a bigger headache now that construction activity has shrivelled. Downtown prices have held up reasonably well but outlying land unlikely to ripen for development for years to come has halved or more in the past two years, falling back to levels last seen five or six years ago.

Worse, lenders have on their books some land for which "the highest and best use is holding the world together," one real estate adviser says.

Ways to help institutions keep property on their books are being formulated by both federal regulators and the Texas House committee on financial institutions. Such efforts are raising hopes that the fragile market will be spared a glut of forced selling.

Meanwhile, some parts of the picture are brightening. Rents in prime downtown office buildings stabilised last summer after a protracted period of ruthless competition between owners trying to attract tenants. Gone now are inducements such as months of rent-free accommodation.

Trouble is, rents are still well below cost in many buildings and a lot of three and five year leases, signed in better times, come up for renewal this year. The pressure on rents is still considerable given the vast array of empty space. Some 37m square feet of office space in Dallas County is unoccupied – equal to total space 10 years ago – making for one of the highest vacancy rates in the country at 28 per cent.

The more optimistic analysts point out that perhaps as much as one-fifth of the vacant space is in "junk buildings" which are so badly located, built or maintained that they will have to be torn down.

Two sticky sectors of the office market, though, are class B and C buildings. A lot of their tenants were persuaded during the recent years of intense competition for occupiers to move into prime building at rents only a few dollars a square foot more.

"We don't fully understand yet the impact on B and C buildings," says Prof William Brueggeman, a specialist in real estate at Southern Methodist University in Dallas. Overall, "We could be looking at seven or eight years before the office sector recovers."

He and others point to a number of sectors which are healthy by comparison, such as industrial space and warehouse and some segments of retailing. Moreover, there is some new construction in "build-to-suit" projects for major corporations such as International Business Machines and JC Penney, the retailer, which has just moved its headquarters from New York to Dallas.

Despite the uncertainties, investors who believe the bottom of the market is near have been stepping up their efforts to buy properties. Mr McDonald Williams, managing partner of Trammell Crow Company, a Dallas-based national real estate company, said the pick-up in investor interest has been marked in the past two or three months.

Trammell Crow has been confident enough about the nascent recovery to buy some buildings on its own account as well as facilitating purchases by out-of-town investors.

Banking

Survivors are more cautious

BY THE early 1990s the Texas financial sector will have emerged stronger and more mature from a disastrous decade of awful economics made worse by lenders' bad judgements. Though deeply shaken by the changes, Dallas will have enhanced its role as the financial centre of both the state and the southwestern region of the country.

But before those brighter days dawn, Texas and the nation will have to pay a considerable price and endure more pain to rehabilitate the state's financial institutions crippled by boom-bust cycles in energy and real estate. No one knows the full bill yet but it will run to tens of billions of dollars plus intangible penalties such as loss of local control of some of the largest institutions.

Bankers and officials of savings and loans (the mortgage-lending "thrifts") say they were victims of unforeseen economic circumstances. Having lent heavily on the assumption energy prices would keep rising, they were rocked when prices plummeted in the early 1980s and again in 1986.

Struggling to work off the bad loans, most of them seized on real estate as the perfect diversification. They believed the Texas economy would keep on growing, making the sector largely immune to downturns. Instead, they found to their considerable cost it was a sector chronically distorted by speculation, tax factors, deregulation of thrifts and excessive optimism.

When supply of new buildings began to far exceed demand two years ago, property prices collapsed. Huge additions to loan loss reserves for failed projects have been scuppering many lenders who had managed to survive the energy bust. By the end of last year some 10 per cent of Texas banks' loans were non-performing while the thrifts' percentage was more than twice as bad.

The five largest Texas bank holding companies controlling roughly half the state's $200bn in banking assets reported more than $2.6bn in losses last year and thrifts' ran up losses of $6.4bn. The figures could be worse this year.

The most profitable bank in north Texas last year was Northpark National Bank. The Dallas institution, with assets of only $619m at year-end, earned $3.6m. Only one bank in the state with assets of more than $1.5bn, Cullen/Frost in San Antonio, was profitable.

A good measure of luck helped these smaller institutions survive but many of their executives say they were also more cautious in their lending practices than their competitors. Regulatory officials say they were concerned about the heavy real estate concentration in many big banks' portfolios and lending abuses by some thrifts.

The severe financial damage inflicted by bad real estate loans has forced a wholesale restructuring of banking. Dallas's two largest banks, InterFirst and RepublicBank, merged last year to form First RepublicBank. Some $33bn of assets made it the largest bank in the southwestern US and thirteenth largest in the country. But a further deterioration of its real estate loans brought a $1.5bn first quarter loss and is necessitating a federal government bail-out.

Allied Banchsares has been taken over by FirstInterstate of Los Angeles leaving MCorp as the only major Dallas-headquartered bank given a fighting chance of survival without government rescue or takeover.

The two other major Texas banks, both based in Houston, have also been rescued. Texas Commerce was bought by Chemical Bank of New York and First City was recapitalised by out-of-state investors with government help.

Opinions vary widely around Dallas as to whether the problems of financial institutions are causing a capital shortage for local businesses. "There's no doubt that the turmoil is throwing up barriers to business development," said Mr Ronald Witten, president of M/PF, a Dallas real estate advisory firm.

Dr Sydney Hicks, director of economics at First RepublicBank, argues, however, that if there is problem in Dallas and Texas it is no worse than elsewhere in the country. Capital shortage and rising credit standards are factors throughout the US banking system, she said.

One certain trend, though, which will help the flow of funds for business is the aggressive posture of banks such as Texas Commerce which have already been recapitalised or of out-of-state and foreign banks. They are seizing the opportunity to build up market share and forge links with customers while the big local banks are on the ropes.

Those smaller banks such as Northpark, and alternative institutions such as credit unions which are perceived by the public as being sounder than the big institutions, have also been enjoying a big upsurge in deposits and business. A recent survey found that less than one-third of Texans believed their deposits were completely safe in a bank or thrift, even though accounts are covered by some form of government insurance.

All surviving institutions, both lame and healthy, have turned a good deal more cautious, though, businessmen report.

The advent of out-of-state control of some major institutions will bring a higher degree of professionalism and may help the local banks diversify their business. But it also raises the question of whether the banks, now responsible to boards in distant cities, will be less responsive to local needs.

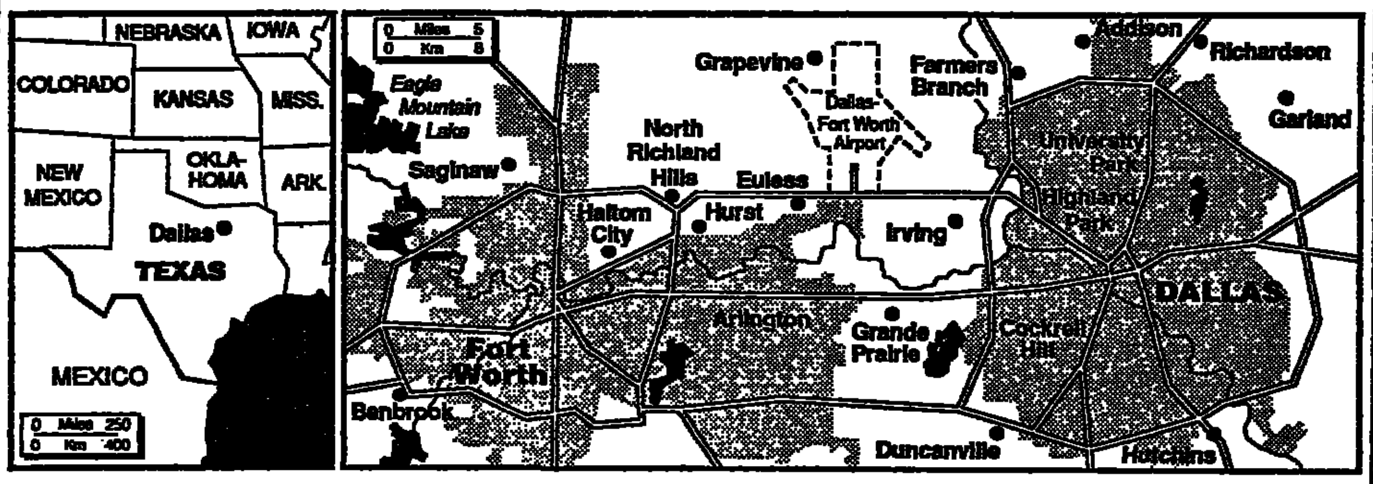
It looks as though there will be pros and cons. On the positive side the new parents will be an additional source of capital, expertise and cool counsel. The latter point, however, may be considered negative in Texas where the periodic over-enthusiasm of bankers has worked to the short-term benefit of borrowers. Other negatives include the possibility that capital will flow from the Texas subsidiary to the parent in times of slacker local economic activity.

Current travails will also bring an important change in the structure of the financial sector. Texans, long believers in the populist principle that community-owned banks are the key to local development, have fought fiercely against branch banking. Only in the last few years have they grudgingly permitted a bank to have a few branches within its home county.

This resistance resulted in a rash of new small banks which pushed the number state-wide up about 25 per cent over the past decade to close to 2,000. This plethora of small institutions not only guaranteed narrow deposit and lending bases but also severely stretched the pool of banking talent.

Conditions are now ripe, however, for the Texas legislature to consider reform. "Branch and inter-state banking will be passed very quickly," said Dr Ray Perryman, an economist at Baylor University. "A few years ago a politician would have been impeached for suggesting such changes."

Roderick Oram



Manufacturing

Base needs to be broadened

A MODEST upturn in manufacturing, particularly in high technology, defence and export areas, has helped lead the tentative economic recovery in north Texas over the past nine months.

The sector's relative diversity has served the region well, creating employment and economic activity, while the state's traditional mainstays of energy and agriculture have remained depressed.

But as business leaders in the Dallas/Fort Worth area acknowledge, the manufacturing base must be broadened with the help of further domestic and foreign investment. Then, perhaps, the sector would better weather adverse conditions if, for example, defence spending is cut heavily or the dollar rises. Some 6 per cent of the sector's jobs are export-related.

Of all the ingredients which would contribute to the strengthening of manufacturing, none sparks a livelier debate than higher education. Many academics and industrialists argue that the region is hampered by its lack of a world-class scientific institution such as benefit, for example, Boston and San Francisco, which north Texas would love to emulate as a home to high technology companies.

Others argue, however, that the Dallas/Fort Worth area has yet to lose a prospective plant through lack of such an institution and a clutch of local companies are in the forefront of technology. Moreover, considerable efforts are being made to improve the universities and colleges in the area with the strong support of existing high technology companies.

While the debate rumbles on, interested groups are, however, getting behind the region's effort to attract the Superconducting Super Collider the federal government intends to build. Eight sites around the country have been short-listed for the $5bn, 53-mile circumference underground accelerator in which particle physics would be studied.

Apart from the construction and maintenance jobs involved, the Texas site, some 30 miles south of Dallas near Waxahachie, would also be home to hundreds of permanently based and visiting physicists from around the world who would greatly enhance the region's scientific reputation.

Debates about education aside, no one argues about the rewards of industrial development. Texas more than tripled its industrial output in the past decade, while the nation managed only a 30 per cent increase. There was once a fierce rivalry within the state between Houston and Dallas/Fort Worth for the manufacturing title but the former's close ties with energy have hurt it badly this decade.

Houston's manufacturing employment fell 48 per cent from 281,000 in 1981 to 153,000 in 1987, while Dallas/Fort Worth's rose 3 per cent from 331,000 to 341,000, despite a three-year downturn which ended with the turnround last summer.

Within the latter region, though, Forth Worth's 5 per cent gain outpaced Dallas' 1 per cent over the past six years, reflecting a number of factors. Fort Worth, and the mid-cities area between it and Dallas, have attracted a number of major defence plants, for example, while Dallas has found greater favour with service sector companies.

Electronics account for fully 32 per cent of the manufacturing jobs in the Dallas/Fort Worth area, attributable in large part to the leading influence Texas Instruments has played in the area's economic development since the Second World War. It has grown from a seismic service company for the oil industry into the area's largest private sector employer. From its north Dallas headquarters TI runs a global business in semiconductors, computers, defence equipment and other electronic-based products.

It has also spawned a shoal of other companies across a wide range of technologies, while its own research and development in new areas such as automated manufacturing, artificial intelligence and expert systems ensure it remains a dominant influence.

TI has been enjoying renewed profitability and demand in semi-conductors, for example, helped by the weaker dollar. It is the second largest US chip maker and the fifth largest in the world. Similarly, Tandy, the Fort Worth electronics company which also owns the Radio Shack retail chain, is building another local plant to make computers it originally imported from South Korea.

Transportation equipment is the next largest sector in the area, accounting for 10 per cent of manufacturing jobs thanks, for example, to the construction of military aircraft. Fears of defence budget cuts loom large because even the largest programmes such as General Dynamics' production of F-16 aircraft could be hurt in the longer term. Bell, a division of Textron, has already suffered a cut in the Pentagon's planned purchases of tilt-wing helicopters it is making jointly with Boeing even before the revolutionary aircraft makes its maiden flight.

Dallas County produced $1.8bn of goods and services for the military in 1986 while Tarrant County, encompassing Fort Worth, produced $5bn. It is generally felt that any overall reduction in defence spending could mean more upgrading of old equipment which would generate business for the area's electronics companies.

The lower technology end of transport got a welcome boost last month when General Motors said it would make its next generation of full-sized, rear-wheel drive cars at its Arlington plant. The decision brings some long-term security for the 4,000 people who work at the factory mid-way between Dallas and Fort Worth.

A salutory lesson of the economic perils of manufacturing can be drawn from Dresser Industries: its fortunes have closely tracked those of the oil industry. Since the oil bust began in 1982, it has halved in size to about 30,000 employees worldwide, spun off many of its oil field service and equipment businesses into joint ventures with other companies, and pushed into higher technology areas.

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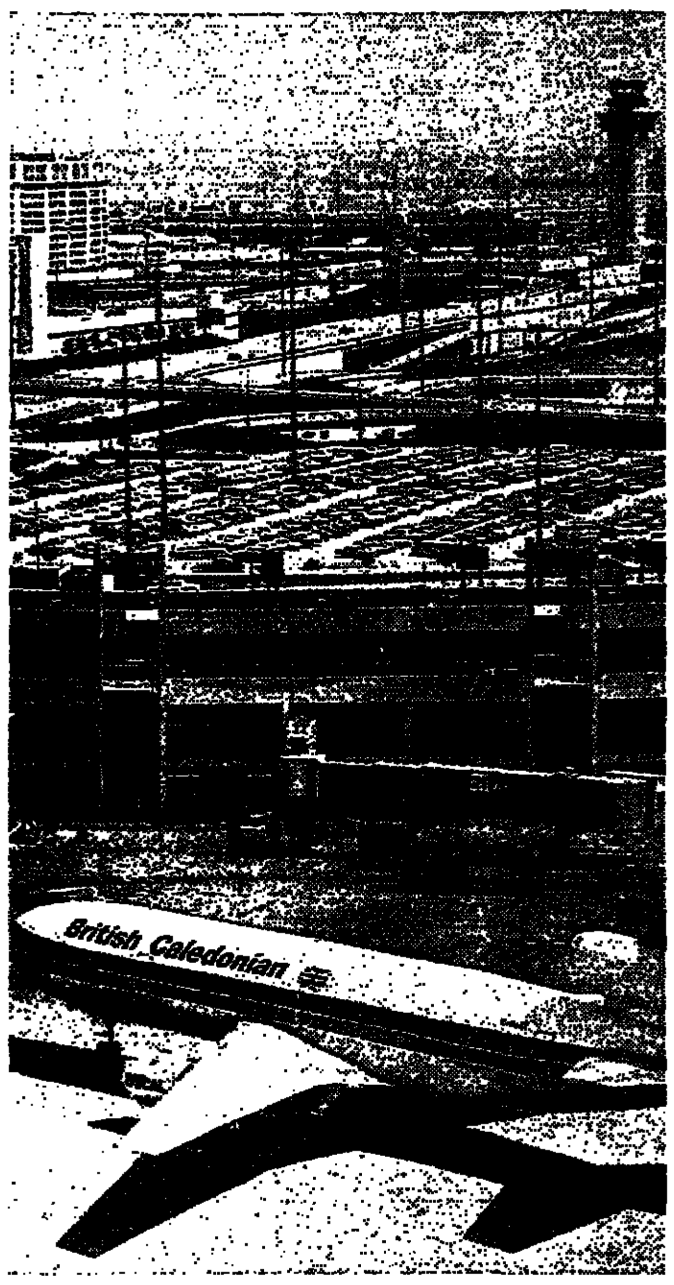


DFW International Airport: exceeds its capacity 13 times a day

Andrew Baxter on the transportation needs of the Metroplex

Rethink on airspace and public transport

JUST 14 years after the two cities of Dallas and Fort Worth joined forces to build what is now the world's fourth busiest airport, the fast-growing transportation needs of the Metroplex are coming under renewed scrutiny.

In aviation, buoyant growth forecasts for commercial and general business are forcing regulators and airport operators to examine where, and how, they can expand facilities. Meanwhile, in the Dallas area, continuing road congestion problems have prompted the first thorough investigation of mobility, which in turn seems likely to produce a major investment in public transport in a city where "drive-time" is a synonym for rush-hour.

The single most important factor in the regional transport equation is DFW International Airport, which began life in 1974 with three runways and one completed terminal building. Now, after a total $2.6bn of investment, the airport – which has its massive 17,800 acres sited virtually equidistant from the two city centres – has six runways and four semicircular terminal buildings.

Over that period aircraft takeoffs and landings have nearly doubled from 322,946 to 624,760 last year, while the number of passengers handled each year has trebled from 13.8m to 41.9m.

DFW is the main south-western hub for American Airlines and Delta, which together handle 85 per cent of flights. The airport offers direct service daily to 150 domestic destinations, and, while it is hardly yet an international gateway by the standards of Heathrow or JFK, has 29 international destinations.

New routes are being added steadily, with the most important recent development being the start last year of American's non-stop service to Tokyo. Later this month the same airline, which moved its headquarters from New York to DFW in 1978, begins a direct service to Madrid.

According to the Federal Aviation Administration, the airport exceeds its designed capacity 13 times a day on average, leading to bottlenecks. The airport, says Mr Joe Dealey, its director of public information, is taking a cautious approach to adding new international routes because of the risk of losing others in a market with some weak spots. Even so, he says, "we are not in this business to turn airlines away".

Mr Dealey, with some justification, is proud of DFW's successful record and the fact that the two cities have not been required to make any further financial commitment to DFW beyond the initial $70m for land purchase.

On the other hand, he admits that the current configuration of terminals, with three on the east side, causes some imbalance of usage. There is also a design problem. Heavy emphasis was placed on making things easy for road users because it was thought that 60-75 per cent of passengers would be starting or finishing their journeys at the airport, and the rest would be in transit.

In the event, the upsurge in air travel since deregulation in 1978, and DFW's pivotal position in the airlines' new "hub and spoke" networks, has meant that these percentages have been reversed. And in any case, says Mr Dealey, the airlines have told DFW that piers are more convenient – for them and for passengers – than semicircular terminals.

As a result, DFW decided last year to build no more semicircular terminals. Happily, however, it has plenty of space for other designs. Later this year Delta will start operating from a new nine-gate satellite to its main terminal, and DFW is negotiating with American on moving to a new terminal on the west side.

But even if American agreed, such a project would take five years to complete and cost $500m-$750m. Also under consideration are two new runways, probably for smaller aircraft, and two extensions.

Underpinning this potential expansion are some healthy forecasts for growth in demand. The FAA, which last year began a study of likely needs in the Metroplex (ie the Dallas/Fort Worth region) foresees explosive growth in commercial and general aviation, due partly to the existence of DFW and its potential for expansion, but also to the area's continuing potential for economic growth and its position in the middle of the US.

A 'total redesign of the airspace' would include a parallel stream for incoming traffic and a novel system would allow four aircraft to land on four runways at the same time

Mr Ronnie Uhlenhaker, project manager for the FAA's DFW/Metroplex air traffic system plan, says total aircraft operations in the area will more than double to nearly 2.5m by 2005, while those of DFW itself will grow at a similar rate to 1.15m.

For its part the FAA is now considering what Mr Uhlenhaker calls a "total redesign of the airspace". This would include putting in a parallel stream for incoming air traffic, cutting by half the frequent trails of 40-50 aircraft strung out at five to seven mile intervals on the approach to DFW from the north-east, and a novel system allowing four aircraft to land on four runways at the same time.

A further key element in the plan to cope with expected demand is the promotion of smaller airports as complements to DFW. Love Field, the original Dallas airport that had its main terminal used as a recreation centre during some lean years in the mid-1970s, is now thriving, and three other airports are being built or planned.

Two of these, the South Fort Worth airport and North Dallas jetport, open in July, cater primarily for commercial/executive jet business, while ground breaks this month on a North Fort Worth airport to serve industrial customers.

Behind this project is billionaire industrialist Ross Perot and his son of the same name, who handles the Texas family's property interests. Mr Perot Jnr said that the Perot Group, having identified the rolling farmland and "horse country" of North Fort Worth as the area's last remaining real estate opportunity, had bought 16,000 acres there since 1983.

Now, with encouragement from the FAA, the Perots are building an industrial airport with an 8,200ft runway, big enough for 747s or C5s. The aim is to cater for the transport needs of the area's big manufacturers such as General Dynamics, LTV and Bell Helicopters.

"Traditionally industry has always been a second class citizen" at major airports, said Mr Perot, while industrial airports have been awkwardly located. The new airport will be 15 minutes from DFW once a new road is built, for which the Perot Group is arranging 13 miles of free right of way for the Texas Highway Commission.

In Dallas and its suburbs, meanwhile, an older form of transport is soon to get a new lease of life. A $2.8bn, 93.7 mile rapid transit rail system is planned as the centrepiece of a range of measures to ease congestion and attract car-bound Dallasites back to public transport.

It was some four-and-a-half years ago that voters approved both the creation of Dallas Area Rapid Transit and its funding with a 1 per cent sales tax. That work has yet to start on the system reflects how hard it has been to develop a consensus on transportation issues in the city.

To keep costs down, the nine-line, 58 station network will be built largely on existing rail corridors, and only 7.7 miles will be underground. It had originally been hoped that the sales tax levy would, with bond issues, cover construction costs, but last month Dart was forced to swallow hard and seek $600m in Federal funding for the project.

That partly reflects sluggish growth in revenues from Dart's bus operations. Only three of the 16 cities in the Dart service area had a bus service as such before the 1983 vote, and Dart admits that custom has been "slow to mature".

This is seized on by opponents of the rapid transit plan as evidence that Dallasites will not use the planned system. But Mr Charles Anderson, Dart's executive director and a former Dallas city manager, says: "I am convinced that because the system is needed, it will be used ... We are building for the next 50 or 75 years, not for tomorrow."

Mr Anderson hopes to defuse opposition, and allay the growing impatience of the cities which voted for the scheme, by getting at least a small part of the project into construction next year, for completion by 1994 – taking advantage of the current dearth of construction orders to drive a hard bargain.

Dart stresses that the scheme, and its bus network, are an integral part of a $12bn mobility plan for the Greater Dallas area formulated under the aegis of the Chamber of Commerce, and agreed to by Dart and political jurisdictions. This also sees a need for 20 miles of high-occupancy vehicle lanes, 164 additional lanes of freeway, 100 miles of new freeway, and 45 miles of new tollway. It is claimed that if any of these are not implemented the area faces significant congestion problems over the next 20 years.

The rail plan could be completed by 2010, and Mr Anderson is confident it will be on budget. It seems, however that the broader philosophical debate will continue. "If we don't build it, we will not continue to be a global city," he says. Mr Perot, who would prefer Dart's $2.8bn to be spent on new roads, fails to see why building the system would make Dallas a world class city. "The world ought to become Texas class," he responds.

Transport-related industries

Wholesalers' forum

WITH AN airport the size of Manhattan, generally excellent roads and more than 50 trucking company terminals, it is perhaps not surprising that Dallas can boast a wide range of industries partly or wholly dependent on transportation.

On the one hand are the modern-day activities in this area – wholesale distribution, conventions, retailing and, increasingly, tourism – which are to varying extents insulated from the problems of the energy, banking and real estate sectors. And then there are some remnants of businesses that flourished in an era when Dallas relied on its status as a major railhead.

In the 1920s when cotton was king in the southwest, Dallas was the throne. Today, the city's former Cotton Exchange building is empty, but five merchant companies – three of which are Japanese – remain.

Cotton now ranks second to livestock in generating agricultural income for Texas, but 2.2m bales still pass through Dallas each year – about one-sixth of total US trade in cotton.

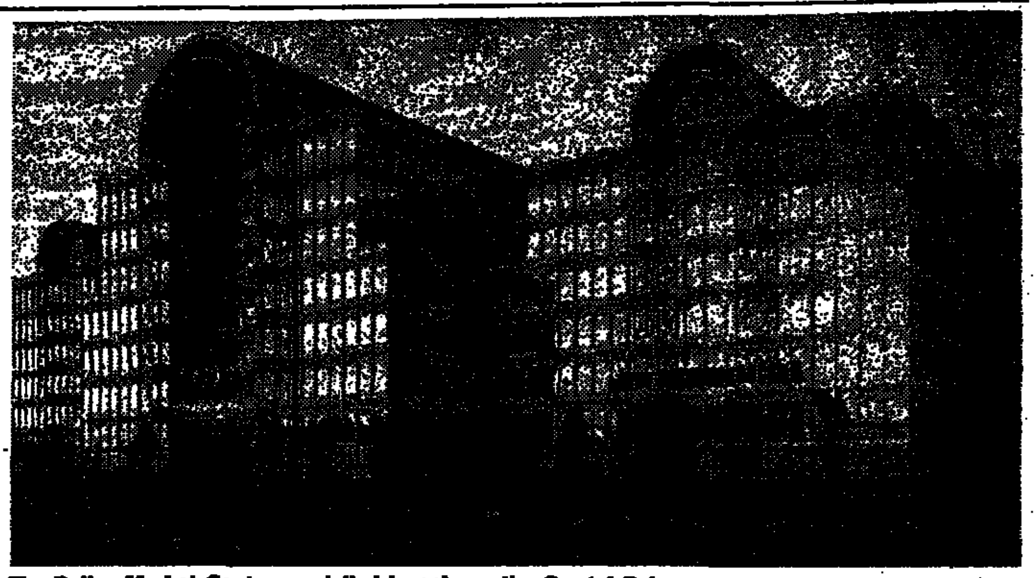
However Mr Bobby Walton, vice-president of Swiss-owned Volkart Taylor Cooper, notes that Dallas has practically ceased to exist as a spot market. With modern communications and electronics, "it doesn't matter where you are to trade cotton nowadays," he says.

Coincidentally, it was in the 1950s, much the same time as the Cotton Exchange began to decline, that Mr Trammell Crow, the Dallas property developer, conceived the idea of using Dallas' geographical position to provide a forum for buyers and sellers of wholesale goods.

Some 30 years later the Dallas Market Center, which is still owned by Mr Crow's company, has grown to become the world's largest wholesale merchandise mart with annual sales of around $7bn.

More than 700,000 buyers a year visit 3,600 permanent showrooms and 35 to 40 temporary markets each year in eight buildings strung along the Stemmons Freeway some 10 minutes from downtown Dallas.

The Center, which has 9.2m sq ft of space, has a particularly strong position in home furnishings, floor coverings, gifts, toys and decorative accessories. Since 1985, its 1.6m sq ft Infomart building, modelled loosely on the Crystal Palace, has been operating as the world's first international trade centre devoted exclusively to the information processing industry.



The Dallas Market Center: modelled loosely on the Crystal Palace

The Center works by leasing out space to permanent showrooms, or hiring out its Market Hall for specific events. In return, it provides marketing and advertising services, security, sponsors seminars on selling techniques, and even lines up top class entertainment for trade show visitors.

Ginger Seay, director of media relations, said the Center was trying to work harder to share with its exhibitors the burden of current hard economic times for the southwest.

Fortunately, the presence of Dallas/Fort Worth airport had encouraged buyers and sellers from other parts of the US such as the West Coast where the economy was stronger. International visitors, from Mexico, Latin America and Japan, were increasing in numbers without any specific marketing initiative.

The Center last year expanded its Decorative Center District to include a contract design building, but is currently taking a cautious approach to further expansion in the light of Texas' economic difficulties.

The development of the Market Center has given a significant boost to furniture and other industries in the southwest which otherwise would have lacked a selling forum to match those on the East or West coasts.

A typical beneficiary is the 60-year-old Southwest Homefurnishings Association, which moved into the Center three years ago and has raised its profile, says Georgeann Elliott, public relations director.

Twice yearly the association leases space in the Center for its winter and summer shows, attended by some 15,000 to 18,000 trade visitors, and offering space from 100 to 2,000 sq ft each for 300 exhibitors.

The two shows' growth has slowed since the early 1980s, but a continued influx of buyers from the West Coast has helped the association address the problems of weaker local buying interest.

Much of the activity at the Market Center is inextricably linked with the city's convention industry. Apart from the 600,000sq ft Dallas Convention Center, which for some years was among the biggest five in the US, the Center's Infomart, Market Hall and Apparel Mart comprise Dallas' main meeting and exhibition facilities.

This symbiotic relationship has helped Dallas become the third largest US convention city after New York and Chicago. The airport, again, has been another important factor, but Charlotte St Martin, president of the Convention and Visitors Bureau, also cited lower hotel costs in comparison with New York and some other cities.

The city handles some 2,200 conventions each year, of which the largest is that for the National Association of Home Builders with more than 50,000 delegates. Early next month the Association of International Bond Dealers is holding its annual conference in the city.

Within Dallas city limits, the hospitality industry is the largest revenue producer after retailing, yielding $800m in annual revenue and providing employment for 88,000.

The 40,000 hotel rooms in Dallas County are enough to handle the largest conventions which the city attracts, although delegates to these gatherings are likely to find themselves scattered over 90 square miles of the city.

The present hotel room total compares with less than 14,000 in 1970, but the end of the construction boom means any significant further increase is unlikely for some years.

To help protect its current position in competition with Chicago, Atlanta, Orlando and New Orleans, Dallas is stepping up its marketing programme and opening sales offices in Chicago and Washington DC.

As for tourism, Ms St Martin admits that until recently Dallas "did not perceive itself as a tourist destination". But, helped by the worldwide success of the eponymous TV soap, Dallas now attracts 3m tourists a year out of a total 12m visitors, and is the biggest visitor destination in Texas.

Apart from the obligatory pilgrimage to Southfork, Dallas' stores are a major pull. The city expects to remain a short-trip destination, but, even so, is increasing efforts to heighten awareness of its cultural and gastronomic attractions.

Dallasites are grateful for the dollars earned by the convention and tourist industry, but in these sophisticated times are considered unlikely to follow the example set by their forbears in 1896.

In that year, an impressive arch was erected across a busy street to welcome a particularly large group of conventioneers. The arch proved so popular that it remained until 1910.

Andrew Baxter

A new administration is drawing together the diverse elements of Dallas life

Personification of the new synthesis

DALLAS HAS come to a crossroads in its history. According to seasoned observers of the local scene, 1988 will mark a turning point and represent the first test for the new leadership in city hall. Budget problems are being grappled with, as well as a rising demand for social services and a surge in inner city crime.

The city's diversified economic base has helped Dallas to withstand the effects of the oil collapse far better than other Texas communities. For businesses that rely on energy, real estate and agriculture, however, the economic downturn has come as a debilitating crash.

As a city that has always been run by a cosy partnership between business and government, Dallas has retained a business orientated leadership which has only recently become more responsive to an activist government. Mayor Annette Strauss assumed the most visible elected job in town last year as mayor, after 40 years of socially responsible civic work and four years on the city council.

She personifies a new synthesis between the parochial old North Dallas social code and the new Dallas' growing pains. Her effectiveness as a coalition builder enabled her to draw unprecedented strength from the support of black people, gays, women, Democrats (her brother-in-law is Robert Strauss, former Democratic Party chairman) and her campaign raised $1m in the costliest race in Dallas history.

Annette Strauss, mayor: coalition builder

Richard Wright, city manager: 'all should share benefits'

Mayor Strauss' tenure on the city council came at a time when three forces were vying for dominance: the conservative downtown political religious and political establishment that had controlled the city since the first East Texas oilmen rode in to town during the 1930s; the new pro-development North Dallas establishment unencumbered by debts to the patricians who had long ruled the central business district; and the activist inner city organisations demanding a fairer share for the growing minority bloc.

Between 1957 and 1975 Dallas was effectively run by a shadow government comprised of a cabal of local businessmen belonging to the political arm of the Dallas Citizens' Council, an organisation grouping 200 of the city's top business leaders. The unified leadership of the Citizens' Charter Association, an all-white male bastion, was able to call the shots in city hall for decades by hand-picking its own candidates for office and selecting city managers to cater for the priorities of the business establishment. They overlooked the fact that Dallas was becoming more black and Hispanic, sticking to their own interpretation of "trickle-down" economics: what helps business helps Dallas.

Virtually no one was able to make a dent in the status quo until civil unrest in the 1960s produced the first cracks in their power and black people began to clamour for a voice in the political system. The Citizens Council narrowly avoided the racial turmoil that exploded in other US cities with eleventh-hour concessions to the black community. Mr Jim Schutze, author on the subject of race relations in Dallas, says: "The white oligarchy took great pride in telling the outside world that Dallas had avoided racial confrontations in the 1960s; they would say 'Our blacks are happy in Dallas'."

Until 1975, all members of the city council were elected in a city-wide vote. A movement for better citizen representation in city politics resulted in the "all-at-large" system being declared unconstitutional before being scrapped in favour of the current system of eight single-member districts and three "at-large" seats.

Mayor Strauss is calling for new leadership from the Hispanic and Afro-American community

Efforts to bring the city's political structure into step with modern reality caused city hall to slip from the Citizens' Council's control entirely by 1976. Today the Council's still considerable influence is limited to the commercial world. "They're a good group of people and have changed with the times," affirms Mayor Strauss's aide Mr Jerald McIntire.

Now that the Dallas inner city has become a diverse melting pot of 1m people, the downtown business community is evolving into a more diverse and less monolithic body than it was in the past, according to Dallas County Democratic Party chairman Mr Sandy Kress. He explained that the inner city had traditionally been a democratic stronghold and its position had strengthened as the conservative establishment migrated to the suburbs.

Dallas is also becoming disenchanted with the failure of Republican Governor Bill Clements to address the state's economic problems. This is at a time when other native sons, like the Democratic Senate finance committee chairman Lloyd Bentsen and Speaker of the House Mr Jim Wright, are attracting billions of dollars in federal projects to their home bases.

The most powerful figure in Dallas (and indeed in Texas) in terms of sheer governmental control is city manager Mr Richard Wright. He acts as the chief executive officer of a city with a no-frills budget of $1.1bn and runs the machinery that Mayor Strauss oversees. He earns $109,000 a year – more than the governor does – whereas Mayor Strauss is paid $50 a week. The strong city manager/weak mayor system was designed to curb the power of city hall bosses.

Mr Wright was the first black person to be appointed city manager by the 11-member city council, and he can only be removed from office by two-thirds of their combined vote, assuring that he can remain in office as long as he can count on the support of four of the council's members.

Mr Wright brushes aside suggestions that Dallas has outgrown the council-manager system, arguing that it keeps local politics free from partisan division: "While I strongly believe that the partnership between business and government will continue well into this century, Dallas is now more diverse. Our attempts for all of its citizens to share in the benefits of the local economy will be enhanced by the continued reaffirmation of the council-manager form of government."

Since the 1970s the city of Dallas has been losing white population to the suburbs, although current estimates that non-Hispanic white people make up just under 50 per cent of Dallas' 1m residents will not be confirmed until the 1990 census is completed. There have been several well-publicised incidents in which residents, many of them black, have been killed in confrontations with police, and earlier this year a police officer was killed by a homeless man.

These incidents have highlighted racial divisions, prompted the resignation of the Dallas police chief, and touched off an outpouring of anger in a city long accustomed to unified business leadership.

After a year of crisis marked by strains in race relations, a shrinking city budget, hundreds of city lay-offs and accusations of a "vacuum of leadership", Mayor Strauss is calling for "new leadership from the Hispanic and Afro-American community." She said: "We must tend to all of our citizens' concerns about crime and economic development, address a critical shortage of housing and create better social support systems."

Cynthia Williams

Insurance

Radical change in ownership structure

WHILE IT would be exaggerating to call Dallas a "second Hartford," – a title to which several US cities might wish to lay claim – it can with some justification declare itself the insurance capital of the southwest.

A number of historical factors have contributed to the development of the city as a major centre for the industry – it is headquarters for some 180 life insurance companies and 80 property-casualty concerns. Based on the amount of business written and the number of companies maintaining offices, Dallas ranks around third or fourth among US insurance centres.

It is estimated that the 20 largest insurance companies in the Dallas area employ nearly 17,000 local workers. The Dallas Association of Life Underwriters, with 1,500 members, is the third largest of its kind, and bigger than 34 equivalent state associations.

Once Dallas had begun developing into an agricultural and business centre for the southwest, entrepreneurs began moving to the city to set up insurance companies. In 1878, Southwestern Life Insurance, unrelated to a later company of the same name, opened its main office in Dallas, offering "cheap rates, definite contracts, no travel restrictions and no dividend delusions."

This freewheeling attitude continued into the 20th century, helped by a Texas law requiring insurance companies to have just $25,000 in capital and $12,500 in assets. Another milestone was the passing of a state law in 1913, creating an association designed to provide compensation for injured workers at cost.

Dallas-based Employers Insurance of Texas, an all-line insurance company, emerged from this and has since developed into a nationwide concern. The area is also headquarters for Blue Cross/Blue Shield of Texas, the state's largest non-profit group health insurance company. Its predecessor company was founded in 1929 by a former Dallas school superintendent, offering prepaid health care for teachers at 50 cents a month.

Inevitably, the city's insurance industry has continued to expand to service the needs of business in the region, and the city's proximity to the East Texas oilfields was an important factor in the insurance sector's development in mid-century.

However, while many of the most long-established names have survived in some form – such as Praetorian Mutual Life, descendant from a life company set up on Main Street, Dallas in 1901 by the Modern Order of Praetorians – the ownership structure has changed radically, particularly over the past 10 years.

As has happened in many other US cities, most Dallas insurance companies are no longer free-standing, as the original owners have sold to outsiders keen to enter the market. Mr Rex Shannon, chairman and chief executive of Fidelity Union Life, a medium-sized Dallas-based life group, suggested a number of reasons for this.

First, many of the Texan entrepreneurs who had built up the city's insurance groups had decided to capitalise on their investment by selling out to US or foreign companies which were expanding aggressively in the 1960s and 1970s. "Some of these decisions [to sell] were very personal on the part of the owners," he said.

The favourable business environment in Texas, the ability for a company to acquire a sales force that supplemented or complemented its own, or maybe a concern licensed to do business in states where the acquiror was not licensed, were other factors, said Mr Shannon.

Fidelity Union was itself purchased in 1980 by Allianz, the major West German insurance group, and the Dallas concern had a "fantastic relationship" with its parent, he said. "They basically let us run it."

Mr Shannon joined Fidelity in July 1982, and says he probably would not have done so if Allianz had not had a positive attitude about local management. Total business in force had increased by more than 50 per cent over the past five years as Fidelity had expanded from its original base serving college seniors and graduates.

While some Dallas insurance companies have not benefited from having new owners, the general consensus is that the trend has been healthy. Mr Jerry Johns, president of Southwest Insurance Information Services, said acquired companies "have had an infusion of funds which has added to their ability to go after new business, and expand outside the southwest to the northeast."

This in turn has helped cushion the local insurance industry from the worst effects of the crisis in the energy and property sectors of the local economy. Insurance companies have been extremely active in the local property market, said Mr Johns, not only in building their own headquarters but in "pouring a great deal of money into long-term projects".

However the spread of their investments elsewhere in the US and overseas meant that any negative impact of the sagging Dallas property market would be short-lived. In any case, most life insurance companies have very small percentages of their assets invested in real estate (0.2 per cent in the case of Fidelity Life) and concentrate on bond holdings to match the interest-rate sensitive nature of their products.

Also, points out Mr Richard Williamson, vice-president for public relations at the Texas credit union movement's Members Insurance Companies, the state's insurance board "does not like us to be involved in land speculation".

Nevertheless, Mr Johns says it would be naive to think that the Dallas insurance sector had not felt some impact from the Texas energy downturn. The fall in the price of oil had indirectly led to a downturn in commercial lines, but the industry was now beginning to see some rate relief.

By contrast, personal lines of business in the Dallas area had shown fairly sizeable growth because of an increase in population.

Profitability, though, will depend on continuing tort reform: some common ground has already been established with the legal profession over the number and size of awards, and Mr Johns is hopeful that the next session of the State Legislature will look at further reforms "to make the insurance environment a little healthier and remove the confusion around the question of liability."

Andrew Baxter

The city is having to learn to market itself

Partnership has muscle and money to attract projects

THROUGHOUT MUCH of its relatively brief history, the business interests that have called the shots in Dallas have been aware of the need to attract new businesses to the city.

As early as 1893 a precursor of the Chamber of Commerce is recorded achieving a measure of success promoting the city on train trips to distant points. Eight years later, 50 Dallas business and civic leaders toured Oklahoma in an attempt to lure business to Dallas that might otherwise have gone to St Louis.

More recently, however, Dallas has not had to try so hard, and in the boom years for the Texas economy of the 1970s and early 1980s the world beat a path to Dallas' door.

All that changed with the collapse of the local economy in 1986. Complacent Dallas at last found itself in need of a thoroughgoing economic development programme, and an organisation to market it aggressively in the US and overseas.

The result, typical in a society which distrusts government-sponsored initiatives, was the formation in April last year of the Dallas Partnership, a private sector response to this marketing need financed by the Chamber of Commerce and 58 companies.

With a $1.6m annual budget, the Partnership has enough "muscle and money" to attract a project to the area, and eventually to one of several suburbs which have smaller development programmes of their own, says Mr Scott Eubanks, chief operating officer.

The Partnership divides its work into three broad areas: attracting foreign companies – an area where it has absorbed the Chamber's international affairs unit – winning domestic business, and business retention.

On the international side the Partnership has inherited as a starting point a large part of the 530 foreign-owned companies in the Dallas/Fort Worth area – a legacy from better times.

In employment terms the 105 UK companies represent the largest group, but Mr Eubanks said the current weakness of the dollar and fear of protectionism made the Pacific Rim countries one of the most promising areas for seeking new recruits to the list.

In the current business year the Partnership plans five full-scale overseas trips to win new business. However, Mr Wayne Boling, director for economic development, points out that most prospects come from the US.

For both groups, there are common reasons for being attracted to Dallas. The city's major strength is the Dallas/Fort Worth international airport, followed by Dallas' location in the middle of the US and its pro-business reputation.

Texas' favourable tax regime – there is no corporate or personal income tax – and flexible workforce traditions leave Dallas at least on a par with cities in other Sunbelt states. There are, however, no specific financial incentives for new business other than favourable financing and help with training costs if a company moves to a district with high unemployment.

The collapse in prices offers a major opportunity to set up in the city at a bargain price

The list of companies which have recently either moved their headquarters to the Dallas area or announced plans to build facilities, includes retailers, motel operators, and electronics companies. For most, Dallas' transport links and position, allowing companies to get closer to their customers in middle America, provide sound strategic reasons for moving.

But in the short-term, the collapse in Dallas property prices has offered a major opportunity to set up in the city at a bargain price. "We're a good buy," says Mr Eubanks.

The advantage this gives the Dallas area is difficult to quantify, as Mr Eubanks says many property developers prefer not to divulge details of deals they have struck. But it seems clear that office property has been let for as little as one-third of the going rates in New York.

JC Penney, the big US retailer which last year announced plans to move its headquarters from New York to Dallas, is saving $60m-$70m a year in reduced labour and occupancy costs, says Mr Duncan Muir, public relations manager.

The company had little difficulty finding temporary accommodation while its permanent headquarters are being built on part of a 429-acre plot of land at Plano, north of Dallas. Senior officers are currently working in a 110,000sq ft building owned by Sunbelt Savings, the deeply troubled Dallas savings and loan association, and the company has taken additional space downtown.

However, the original reasons for moving were more strategic. JC Penney found that with 80 per cent of its business split equally between the east and west coasts, being headquartered at one end was "a major stumbling block" in terms of time wasted by senior managers, for example on long flights.

Having decided to move to the middle of the US and get closer to its customers, Dallas became the natural choice because of its transport links and lack of weather problems. A lower cost of living, and the strength of Dallas' apparel distribution trade, were contributory factors.

The company took a $140m pre-tax charge early last year to cover the costs of the move, and has yet to sell its New York headquarters. The proceeds are expected to cover the cost of its new campus-style HQ in Plano.

Mr Muir says that, as expected, some 50 to 60 per cent of the 2,200 management employees formerly in New York were relocating, but that virtually none of the non-management clerical grades had followed suit. This had required a "massive effort" to recruit in Dallas, where labour costs for such grades are lower.

Given the current economic environment in Texas, the marketers of Dallas find they are competing for new business more with cities such as Atlanta and Kansas City than other Texan conurbations such as Houston or San Antonio.

Not surprisingly, the Partnership believes Dallas measures up pretty well against the competition. However, the lack of a university or institution with a long-established, world class reputation could be one reason why a company might choose to locate elsewhere, Mr Eubanks suggested.

Further, the Partnership's interviews with some 50 companies among 480 Dallas "impact-players" – companies which could have the greatest impact on economic activity generally – have identified a certain sense of frustration that the city needs to do more really "big things" to feel proud about and maintain the flow of direct investment.

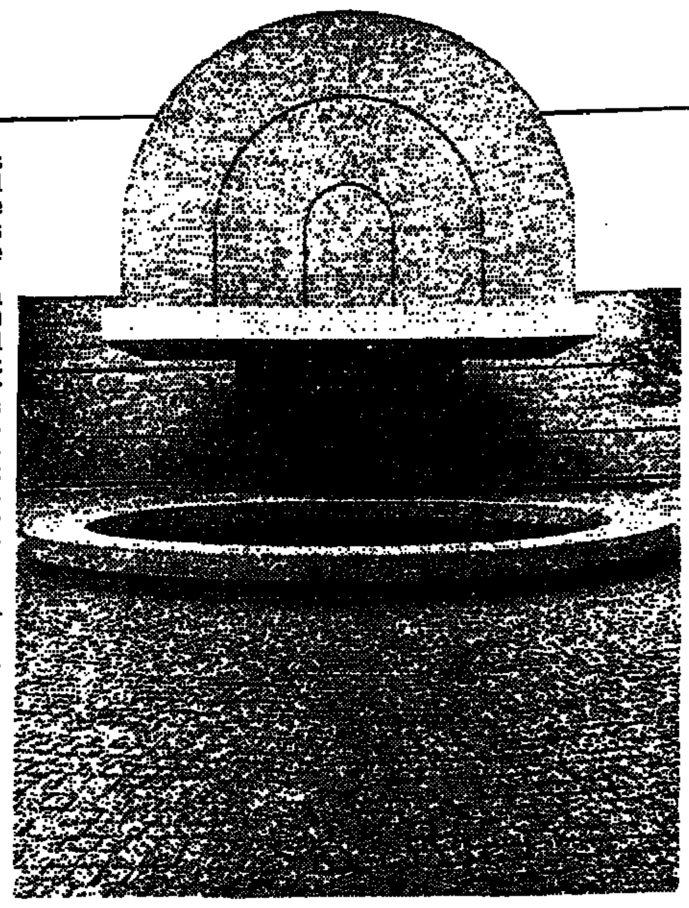
For the future, the Partnership hopes to build on the city's medical strengths to attract more bio-medical related companies. It also acknowledges that Dallas has more to learn about providing the infrastructure support services that prospective new businesses come to expect, and a full array of start-up facilities.

The new organisation has a three-year mandate, and, says Mr Eubanks: "There's no question there's a lot riding on our success."

While he believes it would be unrealistic for the new marketing approach to achieve a "turn-round overnight", the continued flow of new businesses creating jobs and filling office and manufacturing space would go some way towards relieving the pressure on the city's financial sector.

Some observers, at least, wonder whether the city can successfully relearn what Mr Boling calls the "shoeleather" approach to marketing itself after years of not having to try.

Andrew Baxter



The Dallas Museum of Art

Living in Dallas

Little help from nature

DALLAS' undisputed status as the business and cultural capital of the south-west supersedes the city planners' view that Dallas is "a city that never should have been".

Geographically isolated from other cities (Houston lies 240 miles down the road), surrounded by farmland that is for the most part inhospitable, with no port or ready access to the coast, this north Texas city has never produced a single barrel of petroleum. Dallas historian Herbert Gambrell describes it as "an example of a city that man has made, with a little help from nature and practically none from Providence."

At first blush, Dallas still looks like a boom town with signs of growth stretching from its lifeline, the gigantic Dallas/Fort Worth Airport, along the length of the freeway that connects futuristic pockets of development to the glass sheathed skyscrapers of downtown Dallas.

Although the construction surge in Dallas has never been wholly confined to downtown, the city has exercised commendable restraint by concentrating its most extravagant architectural showcases downtown in buildings designed by such luminaries as IM Pei and Philip Johnson. Many of the larger downtown complexes are ingenious incorporations of offices, hotels and labyrinthine underground shopping centres brightened by enormous atria. Underground shops and restaurants connected to multi-level car parks provide a safe environment uncontaminated by the outside world and protected from harsh Texas summers.

At day's end, most Dallasites desert the business centre - with the notable exception of the newly-renovated "historic" West End district which has restored brick warehouses that are home to dozens of shops, restaurants and nightclubs. The city's densest concentration of restaurants can be found within a short drive of the town centre in the general vicinity of Routh Street, McKinney and Greenville Avenues. A steady influx of foreigners has collectively opened thousands of ethnic eateries catering to a variety of tastes and pockets.

Over the past decade, the ethnic and racial composition of the city has undergone tremendous changes, transforming Dallas's image from a staid city of "Wasps" into a younger, more ethnic urban mosaic. Some forecasters predict that by the year 2000, Dallas could end up with the highest concentration of Hispanics of any US metropolitan area. Lured by economic opportunity and a lower cost of living, some 50,000 Chinese (compared with 4,000 in 1976), 40,000 other Asians (mostly Vietnamese and Cambodians) and 30,000 Central Americans have streamed into Dallas, making it a far more diverse place.

By most estimates black people make up about 30 per cent of the population of Dallas, although some members of the city's black intelligentsia maintain that the 1990 census will establish that the actual figure exceeds 40,000. With a median income estimated at $13,000 per family, upward mobility is proving elusive for most of Dallas' black people, a majority of whom live in neglected slums to the city's south. Tensions run high and the multiple curses of welfare dependency, crime and drug abuse are contributing to racial divisions.

Contrary to popular belief, downtown Dallas is not surrounded by cattle ranches and oil rigs but sprawling suburbs which have experienced large scale development during the years when Dallas led the nation in attracting new businesses. As a place to live, the northern side of Dallas has traditionally been the preserve of the moneyed white establishment, which is concentrated in the enclave of Highland Park and University Park. Collectively known as Park Cities, these two serene neighbourhoods are also home to some of the better museums and theatres in town as well as the leafy campus of Southern Methodist University.

Dallas is still thought of as a chic place to live; its absence of city and state income taxes has always appealed to the rich. The city's hierarchy boasts a fascinating mix of people as diverse as computer software billionaire H Ross Perot, Stanley Marcus and son Richard, of the Nieman-Marcus retailing dynasty, master Democratic politico Robert Strauss and the mythical Hunt family, as well as Governor Bill Clements and countless other all-American success stories.

Most foreign transplants deplore the city's lack of a public transport infrastructure, and are stunned by Dallas' provincialism in all matters relating to international banking. Nevertheless they readily adapt to the car culture and give Dallas high marks for its abundance of sunshine and open green spaces, its well-maintained parks, golf courses and swimming pools, its wealth of shopping facilities and for the friendliness of its local population. "It's easy to live in Dallas because we make everyone feel welcome here," affirms Mayor Annette Strauss.

Dallas demonstrated its commitment to the arts as a matter of enlightened self-interest in 1982 when voters approved a $247m bond issue for the construction of downtown facilities including a vast arts centre. A prime 60 acre section of downtown Dallas is now being developed as the largest central downtown arts project in the US. The Dallas Chamber of Commerce estimates that "by the project's completion in the year 2000, $2.6bn will have been spent, $1.5bn of which is private funding." The impressive Dallas Museum of Art, opened on the northern edge of the central business district in 1984, is the centrepiece of the new downtown arts centre.

In the meantime, most of the key cultural institutions, such as the Dallas Opera and the renowned Dallas Symphony Orchestra, have felt the pinch of federal cutbacks and the economic downturn. The Dallas Ballet has filed for bankruptcy, fighting debts of more than $2m, and the Dallas Museum of Art has seen contribution to its annual budget dwindle from an average of $180,000 a year in 1985 to a current level of $36,000.

For the most part, people who have settled in Dallas from other major cities are surprised to find a vibrant and readily accessible cultural scene in Dallas. The more adventurous urban animal can also find unexpected cultural rewards in up-and-coming racially integrated and politically active neighbourhoods, notably on the city's east side, in the Oak Cliff neighbourhood, and in the lively Deep Ellum commercial district on the edge of downtown.

Dallas is neither city nor village, but rather an evolving creation. Most of its inhabitants are from elsewhere and regard it as a very fine place to be. In the estimation of Texas author AC Greene, it is an open place with no secrets and "has always been its own confidential, unapologetic reason for being".

Cynthia Williams